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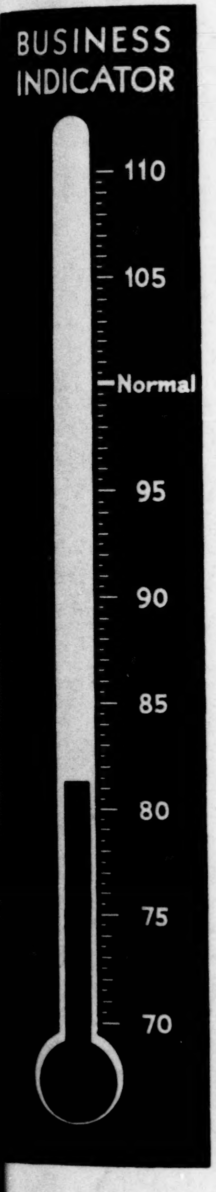
NOV 12, 1930

THE BUSINESS WEEK



BUSINESS INDICATOR

As the country impulsively mobilizes its generosity to tide over a hard winter by improvised dole systems and roundabout inflation, business is sliding further into the final stages of depression, under the weight of still unbroken financial fatalism, business inertia, and popular fear. . . . Our preliminary index for the week ended November 1 fell further, from 83.4% of normal to 81.5%, reflecting continued relaxation of industrial activity and primary distribution. . . . The strange and disturbing thing about the situation is that those who can least afford to take any chances or make any sacrifice are being exhorted to take the initiative of investing their uncertain purchasing power in business restoration, while those upon whom the real responsibility rests are not taking any. The public is responding to "Buy Now" campaigns and demonstrating the latent consumptive capacity of the market; but neither business enterprise nor financial support are forthcoming to reciprocate this gesture of confidence by supplying the goods, and thereby justifying it through expanding employment. . . . The long-suffering step-children of American prosperity—textiles, coal, building, agriculture—are now making the bravest display of energy, courage, and enterprise and doing most to support the family. If we do not leave too much to the public and to them, or leave it too long, this may have its benefits. . . . The unshaken faith of the man in the street, and his irresistible needs, may finally haul our business leaders out of their dug-outs with undignified swiftness before many months.

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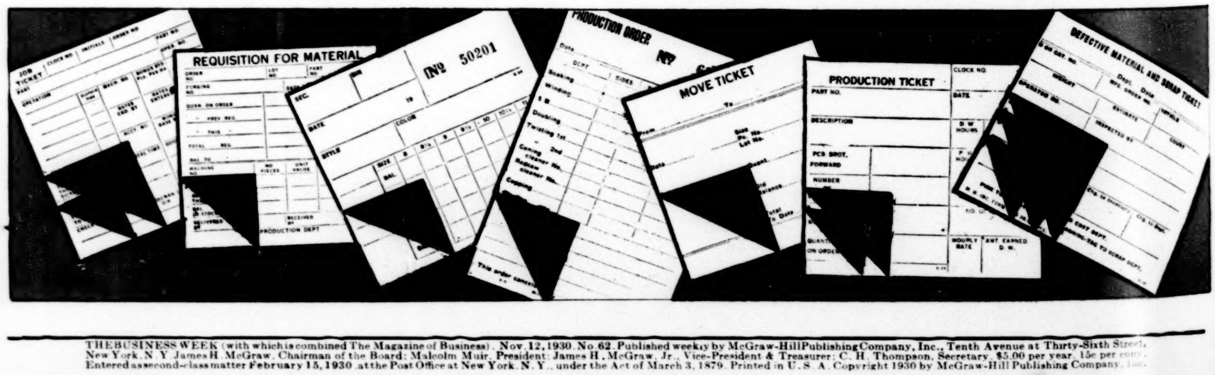

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What's In This Issue —And Why

Commodities

INTERESTING, significant, is a new attitude among sellers of important commodities. There is something almost deserving the name of sellers' strike in lines where prices have been lowest. *(page 5)*

World Ills

DEPRESSION is worldwide. Central bank action grows imperative. Harried here by press and politicians whenever international cooperation is hinted, the Federal Reserve sends Governor Harrison to confer in Europe. *(page 6)*

Unemployment

SPEED is of the essence of effective unemployment relief. Totals of construction projects contemplated are imposing, but how many can get going in time to pay winter coal bills? Colonel Woods attempts to get action. *(page 13)*

FEDERAL agencies are keeping right in step. I. C. C., for example, permits Chicago & North Western to spend heavily for maintenance, defer charges; 4,000 men go to work. *(page 13)*

NUMEROUS corporations are doing concrete and practical things. We list a few. *(page 14)*

Ford

FORD has under way, just completed, or ready to start, $25 millions of expansion projects. *(page 8)*

Russia

Now rolling out her own tractors, Russia goes methodically on to the next big item on her long order list; finds, "$750 millions for food canning and preserving equipment." American firms have the inside track on sales. *(page 32)*

EUROPEAN prophets of the economic collapse of Russia are apparently without honor in their own countries. Latest trade figures show European business eager to take the risk of Soviet orders, willing to let the credit terms go to lengths that amaze Americans. *(page 31)*

Tariff

FRANCE is about to take President Hoover at his word and apply to the Tariff Commission for modification of the duties which bear down hard on French trade—if we accept at par statistics elaborately compiled by a special French commission. *(page 34)*

Savings

SAVINGS bank deposits reached a new high total at the close of the fiscal year, but things aren't as good as that sounds. For interest alone should have added a billion dollars; the increase was only one-fourth of that. *(page 7)*

"Buy Now"

PHILADELPHIA believes its "Buy Now" campaign has boosted retail trade 15-20%. Those who did the most aggressive selling got the best results. *(page 11)*

Tires

TIRE manufacturers are grooming their dealers for the big battle with the gas stations. Their surprising first move is to raise prices. *(page 10)*

Motor Boats

DESPITE financial squalls which kicked up heavy seas, the motor boat industry made progress in the season just ended, but some of the newer entries had their troubles. *(page 22)*

Alexander Legge

THE outspoken, sturdy chairman of the Farm Board, Alexander Legge, is a business man still. His idea is not so much farm relief as improvement of the business of farming. *(page 26)*

Packers

PACKERS' consent decree hearings provide the most comprehensive panorama of business evolution for the last decade that has yet been compiled. *(page 9)*

GLUYAS WILLIAMS

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending November 8, 1930

Sellers Begin to Show Fight In Big Commodity Markets

Key Staples, Most Severely Deflated, Resist Hammering of Buyers for Further Price Cuts

COMMODITY prices have been moving uncertainly and irregularly within a narrow range during the past few weeks, but with increasing signs of stabilization. The general averages still tend to decline. The upturn during August did not hold. Dun's list shows a drop of 1.8% from Oct. 1 to Nov. 1, following a decline of 1.6% during September. This reflects the fact that some commodities, like some stocks, had not felt the full force of general deflation, and are only now beginning to do so. Crude oil is the latest.

Key Staples at Bottom

But it is clear that most of the key staples, which suffered first and most, have reached levels where any marked further decline is improbable. Textiles, metals, grains, head the list of those bearing the brunt of deflation during the past year, with average declines ranging from 17% in grains, to 20% in metals, and 30% in textiles. Fuels and chemicals and drugs have so far shown much smaller declines, and the deflation tide may carry them down a bit farther before it is spent.

Where deflation has gone farthest, considerable resistance has developed. A kind of seller's strike has set in roughly in proportion to the degree of deflation. This means simply that producers or traders are not willing to let consumers or buyers stock up very far ahead at current prices, or to let speculative buyers benefit by an upturn. This seller's resistance has been strengthened where prevailing prices have reached below production costs and have given new life to plans for curtailment of production. This is most noticeable in copper, raw cotton, cotton and wool textiles; to some extent in iron and steel, zinc, and sugar; and also, in lesser degree and in different form, in wheat and corn.

For the first time in months, there is something resembling a seller's market in copper. There is even talk of a higher price, but this is unlikely, at least till the plans for world-wide curtailment of production are nearer realization. In the atmosphere of discussion of these plans, buyers are more eager to stock up far in advance with copper at the present price, for ultimate consumption or on speculation, than producers are willing to sell.

The Copper Export Association, which fixes quotas for foreign sales, is holding them down, and they are being fully taken Advance domestic sales are not being made beyond March at present prices in any large quantities, and then only when accompanied by contracts for delivery in intervening months. Ordinarily the large volume of sales made during October would stimulate a price increase, but producers realize that curtailment has not gone far enough and that actual consumption is so slack and stocks are so heavy that any higher price would not hold, after buyers had bought all they were willing to carry till business improves. If consumption begins to rise early next year, and curtailment plans begin to operate at the same time, prices are likely to rise fast.

Zinc, Rubber, Stronger

Zinc is in a similar situation, and the price has lately turned upward upon reports of revival of the European zinc cartel. Rubber production is being rapidly curtailed, and rising prices for tires, expectations of increased demand next year, have helped strengthen rubber prices. Sugar likewise is stronger in anticipation of extension of the Chadbourne plan for production and marketing control to Java producers.

Raw cotton has been making in recent weeks the best showing of any staple. With occasional dips, it has risen fairly steadily about $7.50 a bale during the past three weeks, in the face of the peak of the crop movement. The Farm Board and the Reserve system have been helping the farmer to hold the crop; the co-ops are getting more cotton than ever before and buying futures for what they are selling. On the other side, the Reserve authorities through the member banks and the commission trade are stimulating foreign and domestic mills to buy cotton as far in advance as possible, and opening new lines of credit for the purpose. Foreign buyers so far have taken better advantage of present prices than have domestic mills, and exports have been running ahead of last season; but domestic buyers are fast coming into the market. Higher prices are probable by spring, despite the apparently huge carryover, which is chiefly a reflection of the fact that foreign and domestic mill buying has been more than a million bales below normal this year

Cotton Cloths Higher

Another factor in the cotton market, of significance in itself, is the strengthening in prices of print cloths and certain other staple cotton fabrics, due to steadily rising consumption and curtailed production. September sales of standard cotton cloths were 60% over production and stocks were reduced 11.4%. The same tendency for demand to outrun output has been evident in Manchester. Cotton cloth is probably the most widely used commodity in the world and it is obviously very cheap. If consumption continues to expand, as is likely with a business pickup, and if production curtailment is continued a few months longer, textile prices are likely to continue their rise and the textile industry may lead all others in recovery. Much the same is true of wool Raw wool prices have been steadier than most other commodities this year, and mill stocks of wool fabrics were cut 23% in September.

The outlook for improvement in wheat and corn is still not so favorable The size of the Argentine and Australian crops, which come in before the end of the year, is uncertain. Larger crops are forecast, and it is fairly certain that these countries, both hard up, will sell promptly for what they can get. The amount of Russian wheat still to be forced on the market is likewise uncertain, and Europe is steadily putting up her tariff bars and other restrictions against overseas grain.

It now appears that the drought effects were somewhat overestimated, and corn has fallen to the lowest level for the year. A lot of wheat is being fed to livestock, and more will be this winter. But in the face of the southern hemisphere crops and the inclination of Europe to curtail foreign wheat purchases to the minimum, the market is plainly doubtful how much the carryover in this country and Canada is going to be reduced. The prospects for considerable acreage reduction here are also still doubtful.

Crude Oil Prices Are Cut To Match Cuts on Gasoline

FURTHER reductions this week in prices paid for crude petroleum by 3 leading purchasers and important cuts in gasoline markets indicate that the war which has already driven prices to the lowest levels in 16 years is still going strong.

Stanolind Crude Oil Purchasing Co., Standard of Indiana subsidiary, a week ago reduced its prices for Mid-Continent crudes to $1.19 a barrel for oil of 44-degree gravity crude; has now made a further cut to $1.04 for oil of 40-gravity or above. Recent cuts of 15 cents a barrel in Texas and Louisiana coastal oils, made by Humble Oil & Refining Co., Standard of New Jersey's oil purchasing agent, have been undercut about 20 cents by Gulf Pipe Line Co. and Gulf Refining Co. The Texas Co. has dropped its price for Texas and Louisiana oils 8 cents a barrel to $1.22 for 40-gravity and above. Standard Oil Co. of New Jersey has cut 10 cents more a barrel from its price for bunker oil at New Orleans and Baton Rouge.

According to petroleum experts these price reductions in crude are the result, not the cause, of organized gasoline price reductions which this week give Detroit 9 gallons for $1 and bring a further 1 cent a gallon reduction by Standard Oil of New Jersey throughout its territory except in Delaware.

Most major distributors have adopted the policy that all oils, either crude or refined, must move at the same price level in each marketing area, regardless of what that level is. So, with quantities of distress gasoline offered at cut prices, major companies have protected their interests by meeting these cuts as soon as distress sales become important in volume. To protect their margins, virtually all important interests have followed retail gas cuts with corresponding cuts in the prices they offer for crudes.

Economically there is no strong reason for crude price reductions now. Curtailment has been successful, current production and stocks are well below those of last year. But until small refiners no longer need to unload stocks at any price to meet temporary emergencies, a continuance of intermittent price-cutting may be expected; if this is widespread, further crude price reductions would not be surprising.

Pacific & Atlantic

PUSHED AHEAD TO GIVE JOBS

Albert Firmin, postmaster, tightens the first bolt on the $2,700,000 Brooklyn postoffice; 1,000 men will build it

World Bankers Will Meet Abroad To Plan Help for Sick Business

FINANCIAL heads of at least two European nations apparently are preparing to extend more aid to business than the Federal Reserve system in this country is yet willing to give. Departure this week of George L. Harrison, governor of the New York Federal Reserve Bank, for a series of conferences with European central bankers thus assumes considerable importance. Just as in the conferences here in 1927, the meeting of Europe's central bankers in the World Bank at Basle, and Governor Harrison's European trip earlier this year, the "doctors" are secretive, mysterious.

Until a few days ago informal meetings were planned in this country. Then plans suddenly were shifted, largely due to the fanfare of publicity with which the press in this country has surrounded any such meetings in the past, and the hullaballoo any kind of international conference starts up in some parts of this country. The Europeans can confer freely at Basle. The interests of the United States are so huge that it cannot remain aloof, while any action the Europeans might wish to take would largely be curbed without American concurrence. World-wide economic disturbances call loudly for central banking action.

The Bank of England is expected very shortly to lower its discount rate from 3%, in an effort to help business, and expected subsequent debt conversion operations by the British Treasury may have the same effect as would open market operations in this country.

French moves to open the Paris money market through admission of foreign securities and greater acceptance dealings are the second factor in international business significance (*The Business Week*, Oct. 29). Authorities both in New York and Washington are especially interested in this. French gold absorption, though the metal is not needed for credit purposes, is one factor that is curbing freer Federal Reserve policy.

Authorities here have feared that the concomitant of credit expansion partly to facilitate foreign financing would be absorption by France of the gold released. This would simply transfer the credit from one nation where it is not needed to another nation where it is not needed. Thus a real change in face by Paris might well have important bearing on Federal Reserve policy. Any sincere attempts at constructive action by any other nation or nations might have the same effect.

Naturally Governor Harrison cannot commit this country. Any conclusions of the conference would be entirely tentative, pending agreement of the Federal Reserve system. Because of the cumbersome financial machinery and sectional opposition here, political interference in France, and the delicate political situation in Britain, plus reactionarism and deflationist philosophy in some sections of all three nations, progress will be slow, even if common ground is found during the conferences.

Savings Growth Falls Short Of Sum Banks Paid in Interest

AMERICANS put no new money into savings banks in the year ended June 30. Instead, they withdrew even some of the interest that normally would have been allowed to accrue.

The total of savings increased $267 millions—but interest on deposits was at lowest estimate $987 millions. By the natural operation of accumulating interest, deposits would have increased nearly a billion dollars in the 12 months, instead of the $267 millions actually recorded.

In the preceding year, the total decreased $195 millions, whereas the mere accumulation of interest, if undisturbed, should have increased it $994 millions. Estimates of interest here used are at 3½%, not compounded—certainly too low a rate.

For the second year in succession, then, the showing has been unsatisfactory—the first unsatisfactory years since 1910, when the American Bankers Association began to compile the figures.

The tide has turned since June 30, judging from such indicators as are available.

Total savings on deposit June 30, 1930, were $28,485 millions.

The New England and Middle Atlantic states alone made a favorable showing, considered as a unit. Total deposits in this group increased by a larger amount than interest payments would have shown, though some states within the group showed a decline.

Only 18 individual states and the District of Columbia showed larger deposits for the year. In many of these the growth was fully accounted for by the accumulation of interest: Maine, Massachusetts, Rhode Island, Connecticut, New York, Delaware, Maryland, New Jersey, Pennsylvania, Louisiana, Texas, Arkansas, Kentucky, Tennessee, Missouri, New Mexico, Washington, and Oregon. The Middle West is the conspicuous absentee.

During the period ended June 30, 1929, withdrawals were primarily for purchases of stocks and secondarily for luxury buying; during the year ended last June, because of unemployment, stock market losses, and lower income.

Number of depositors June 30, 1930, was 52,769,175, an increase of 5,048, or less than one ten-thousandth.

Pacific & Atlantic

AT THE STEEL CONVENTION AT PINEHURST

Left to right are Charles N. Fitts, president American Institute of Steel Construction, James A. Farrell, president U. S. Steel Corporation, H. A. Fitch, president Kansas City Structural Steel Co., and E. P. Thomas, vice-president of U. S. Steel. Mr. Farrell warned against price-cutting

Widespread Dividend Cuts Reflect Drop in Earnings

DESPITE decreased earnings and consequent widespread dividend reductions, corporation stockholders in October received $310,112,000. Lower than all but 3 of the monthly amounts paid during the first 10 months of 1930, this total nevertheless exceeded last October's figure by $13 millions, New York *Times* compilations show. But the favorable showing is due in part to the larger amount of stock now outstanding.

Dividends cuts following the downward trend of earnings affected the majority of the big industrial groups—the chain stores, copper companies, department stores, automobile manufacturers, motor equipment makers, oil and steel producers, mail order houses, tobacco concerns, and the miscellaneous group.

Food companies and public utilities, showing earnings equal to or better than last year's, paid out more in dividends in October this year than last. Bank and insurance companies, railroad and railroad equipment concerns resisted curtailed earnings, also paid more to shareholders in October.

Coolness of Buyers Shrinks October Issues

SECURITIES weren't bought readily in October. Issuing houses and long-term borrowers, sensing the general disinclination to buy, brought out only $422 millions of new securities in that month, smallest total for any month this year, excepting August and February; somewhat less than in October, 1929.

Stock issues in October totaled only $20,075,000 according to New York *Times* compilation; no month of 1930 except August has brought out as few. Yet issues of industrial stocks were highest since July. The month's bond issues went to the lowest point of the year excepting totals for February and August, but still were higher than in any month except two last year.

New stock issues for the first 10 months totaled $696,748,000 compared with $2,981,479,000 in the same period of 1929, when common shares were so contrastingly popular. But bonds are having their innings now, total issues of the first 10 months being $5,081,442,000 compared with $3,108,051,000 during the same period of the preceding year. All classes of bonds, excepting the miscellaneous issues, are far ahead of last year in total.

Ford Spends $25 Millions On American Projects

No major changes on the Ford car and truck but constant improvement in quality is the present policy of the Ford Motor Co. according to a letter recently sent to all dealers by Edsel Ford, its president. He reiterated his confidence in the future of the automobile business and emphasized the fact that the company is now in the midst of the greatest expansion program in its history, is spending millions of dollars in building new plants throughout the world, plans to spend more millions next year.

In this country alone, Ford projects now under way, just completed, or ready to start are valued at nearly $25 millions, will increase Ford assembly capacity by 2,100 cars and trucks daily, give employment to 15,500 men. A $7½-million plant nearing completion at Edgewater, N. J., will assemble 600 cars and trucks daily, employ 6,000 men. Developments at Buffalo, N. Y., expected to cost $3½ millions, involve reclamation of a water-edge site, will provide an assembly line with 400 daily capacity, require 2,500 men.

The $3-million Long Beach (Calif.) assembly plant has just been completed but is now being enlarged. Its capacity is 400 cars daily, its payroll 2,600 men. In another year a new $4-million plant at Richmond, Calif. will provide a 400-car additional capacity and jobs for 2,500 men. In Seattle a $3-million project is just getting under way; when completed it will employ 2,000 men, have a capacity for 300 cars.

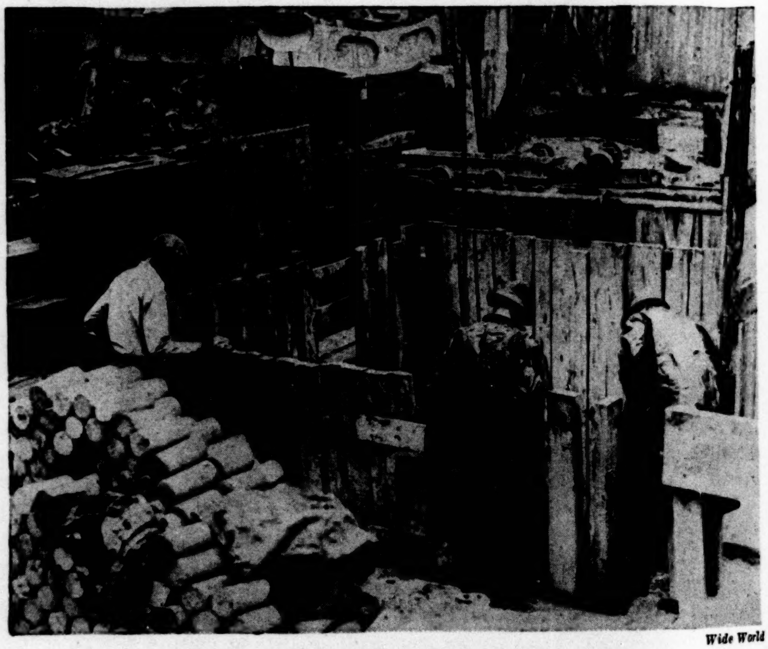
The final domestic Ford project is the mammoth tunnel being constructed to bring water supplies to the Rouge plant. This $4-million project will be completed next year.

Says I.C.C. Rate Policy Shifts Plant Location

THE policy of the Interstate Commerce Commission in barring low long-distance freight rates is causing a decentralization of industry in the opinion of Dr. Lewis C. Sorrell, professor of transportation at the University of Chicago.

Manufacturers are relocating factories or establishing branch plants to break up the distances to markets, Dr. Sorrell declared, particularly in the New England, Middle Atlantic, and Central states.

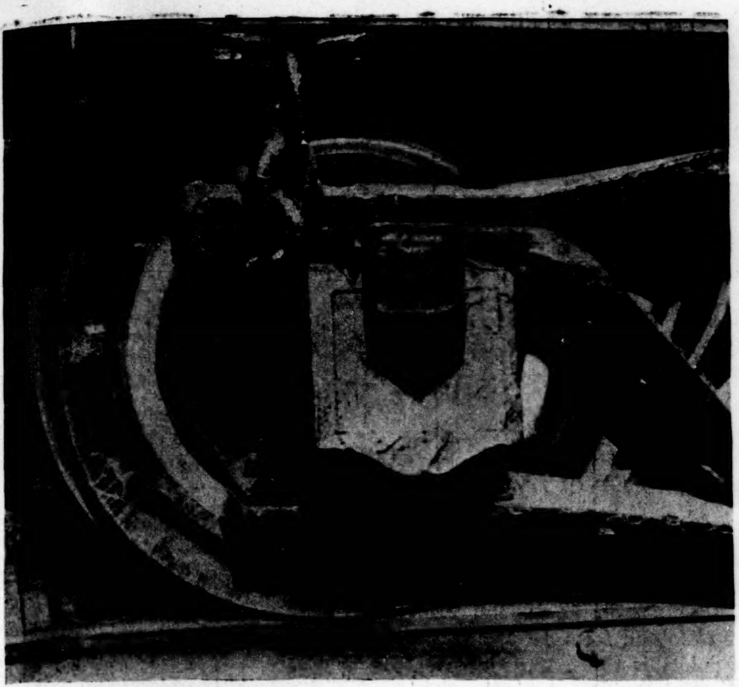
"The South Atlantic states have enjoyed the largest gain from industrial relocations from other states," he said, "and the Middle Atlantic states have suffered the greatest losses. Industries that have not established branch factories to shorten the distance to their markets have sacrificed profits. Industries in the Middle West which have built up a substantial business on the Pacific Coast have found this business rapidly declining because of the lower rates under which their competitors on or near the Atlantic coast may ship by water or rail and water."



Wide World

THE FORD TUNNEL

To bring water to his River Rouge plant, Ford is digging a tunnel 2 miles long, at a cost of $4 million. It will supply, for industrial purposes only, a billion gallons daily, which is 4 times the quantity used by the whole city of Detroit



Underwood & Underwood

RUBBER TIRES FOR RAILROADS

Developed by E. F. Maas of the Goodyear engineering staff, this car wheel employs a rubber cushion between tire and hub to absorb minor jolts in running over switches and rail joints. An added advantage is that tire and cushion may be renewed, using the old hub

Packers' Consent Decree Hearing Reviews Decade of Swift Change

Whole Story of Revolution in Food Merchandising Is Set Forth in Washington Testimony

COUNSEL for petitioning packers (Swift & Co. and Armour & Co.) and the special assistant to the Attorney-General have filed stipulations that will eliminate taking testimony from 100 proposed witnesses in the consent decree case. This will bring to an earlier conclusion the hearing started Oct. 7 before the Supreme Court of the District of Columbia in the packers' plea for modification of the decree (filed in 1920) so as to permit them "to retail meats, meat products, other unrelated commodities."

Unique in the annals of business and law in that the court proceedings involve neither litigation nor adjudication, the hearings have constituted a review of the last decade from the standpoint of important economic changes, and changes in food production, preservation, distribution. The petitioning packers are attempting to prove that monopoly in the field is no longer possible. The opposition, led by counsel for the American Wholesale Grocers Association and the National Wholesale Grocers Association, maintains that unless the consent decree is left in full force and effect, small business in the field of food distribution will speedily be smothered.

The original decree was the outcome of the government's (1919) suit against Armour, Swift, Wilson, Cudahy, and Morris, for violating the anti-trust law and attempting to create a food monopoly by retailing their own products, by handling food products other than meat, by owning or controlling cold storage plants, stock yards, terminal railroads. To avert prosecution, packers signed the now famous decree, agreed to withdraw from the retail field and from all production other than meats and meat products.

This is the packers' second attempt to break through the consent decree. The first was instituted in 1924, lasted through to March 1928, when the Supreme Court of the United States held the original decree fully valid and binding.

Arrayed on the side of the petitioning packers in the present proceedings are many powerful organizations, for instance, 27 representative farm organizations, whose formal resolutions are attached to the appeal.

Associations Join Packers

Significant is the reversal of position of the American National Livestock Association and the National Wool Growers Association, both now actively aligned with packers, having filed independent petitions for modification. The former as late as September, 1929, opposed modification if packers' control of stockyard facilities continued. The latter in 1916 petitioned Congress for legislative relief from dominance of the "Big Five" meat packers.

Also important is the unofficial but nevertheless unanimous attitude of the Federal Farm Board, Chairman Legge pointing out that livestock cooperatives almost universally favor modification, feeling that it will open up new markets for their products.

The packers cite great expansion of chain distributing systems, point out that many chains maintain large packing, canning, producing plants, name Great Atlantic & Pacific Tea Co., Drug, Inc., American Stores, Inc., National Tea Co., Kroger Grocery & Meat Co. as examples of setups permitted elsewhere but denied to them. They point out that small packers not handicapped by consent decree are retailing and doing the other things that to the "Big 5" are prohibited. They adduce evidence of large earnings by small packers, to prove that the latter prosper while large companies labor under unjust restrictions.

Lower Prices Promised

Greatly increased economy in food distribution, lower costs to consumer are listed as obtainable advantages, packer-owned plants and delivery equipment being already available in the chief distributing centers. They would cut and package meats at central plants, standardize cuts, make utmost by-product use of waste, send products to consumer by shortest route, the public receiving benefit in lowest possible prices quoted at packer-owned retail stores.

Curious is the definiteness with which both Swift and Armour declare that individual retailers are doomed, Swift going so far as to declare that before long chains will do 90% "or even all" of the retail business of the country. Thus Swift completely disregards the fact that chain expansion, for the present at least, is at a standstill.

Important, but difficult to interpret, is the attitude of Wilson & Co. and Cudahy Packing Co., neither of which has shown any interest in the case. Both definitely opposed the previous appeal.

They make it increasingly difficult for petitioning packers to substantiate claims that changes in distribution economics have injured their ability to operate at a reasonable profit.

Summed up, the case for the packers is supported mainly by two groups, both chiefly interested in production functions of the industry.

First come the farm and live stock organizations which of necessity are aligned with those who constitute large buyers of their products, and which see in modification the opportunity to secure for themselves better prices, bigger profits, as the result of proposed elimination of wholesalers and retailers.

Second, the considerable number of small meat packers scattered over the country, doing business in a radius of 100 to 200 miles. They make delivery by truck, cater to the needs of independents and small local chains.

Opposed to modification, as the ones most directly affected, are the groups representing various agencies interested purely in distributing functions.

Wholesale grocers feel that modification will mean their elimination. They present evidence that meats and meat products are now efficiently and economically distributed.

Court's Power Challenged

They maintain that to decree that packers, due to economic changes, should be relieved of penalities authorized and provided by law, and consented to by them 10 years ago, would in fact constitute a legislative function, not within the scope and power of the court. They point out that all three branches of government have acted, Congress in making the anti-trust law, the Executive Department in prompting the investigation, the Supreme Court in its decision approving the decree. They insist no existing economic reasons justify reversal.

It is considered a difficult task for petitioning packers to prove that their business is being injured, as published.

Meanwhile meat consumption in the United States shows a tendency to decline. Per capita consumption of all kinds of meat in 1929 was 2.4% below average for the preceding 10 years. Beef consumption declined 14.5% and veal 11.2%. Use of pork increased 9% and that of lamb and mutton 7% above the 10 year average.

Furthermore, beef and hog production has practically been balanced with domestic consumption. Exports have dropped to about 1¼% of total domestic production as compared with 10½% in 1900. This perhaps provides supplementary reasons why packers wish to invade other fields.

Tourists Travel by Train; Cars Go as Baggage

TRANSPORTATION of automobiles as baggage for tourists traveling to and from Chicago, St. Louis, and Kansas City and to and from Texas and Louisiana points is to be started Nov. 15 by Missouri Pacific. A similar service was tried out with success by the Pennsylvania Railroad between Pittsburgh, Pa. and New Jersey coast points during the summer (*The Business Week*, July 16).

Five adult fares, two of which may be used for passenger transportation, are necessary for one-way movement on the M. P.

THE WONDER AUTOMATIC
ONE PENNY HERE
LIGHTED CIGARETTE
CIGARETTE HERE

Wide World

READY-TO-SMOKE

This slot-machine, introduced in London, delivers a cigarette for a penny, automatically lighted by electricity

Tire Makers Groom Dealers For Battle With Gas Stations

RECOGNIZING the threat in the ponderous but dangerous competition that is arising with the entry into the tire selling field of large gasoline distributing companies such as Standard Oil Co. (*The Business Week*, July 30), large makers of automobile tires are preparing for 1931 with exceptional care, employing diverse—in some instances, revolutionary—methods for retaining valuable dealer outlets, offering special inducements to sales effort.

Indicative of the importance attached to new oil station competition is the fact that, led by Firestone Tire & Rubber Co., large producers, disregarding the general downward trend of all price increases ranging from 2½% to 5%, averaging 3% for the more popular sizes, and are passing the increase on to dealers in the form of higher discounts to enable them to build up more effective competition.

Customary terms of payment are being stretched so that dealers being supplied with large stocks now receive future datings; Goodyear, for instance, permits settlement for fall purchases to be made in 3 equal payments in May, June, and July, 1931; Firestone extends its terms into August, 1931.

Advertising allowances granted are generally more liberal, large signs on the dealer's building being supplied free by the manufacturer, and electric signs, newspaper space, mail campaigns carried on on a 50-50 basis.

Special effort is being expended by tire makers to improve the type of stations and dealers handling their goods. The tendency clearly is to discourage inefficient dealers from continuing (over 25,000 small outlets have been eliminated in the last 2 years), while efficient and capable merchandisers are effectively assisted. Conversion of present stations into complete one-stop stations is particularly encouraged. For example, Firestone is supplying its own private brand batteries, brake lining, etc. to dealers operating one-stop stations.

Tire makers expect 1931 to prove a record year, figure that, with about 70 million tires sold in 1929 and only 55 million in 1930, replacement business will be exceptionally heavy, as most cars have covered average mileage in 1930 but failed to receive average replacement tires. Some makers even see the possibility of an actual tire shortage in early 1931. Firestone, after closing its New Bedford cotton mill for an indefinite period on Oct. 3, has just re-opened on full time, operating with day and night shifts.

Indicating that the anticipated 1931 volume is considered well worth fighting for, unprecedented inducements are reported from dependable sources but, for obvious reasons, are not officially confirmed. Such reports tell of completely equipped service stations made available rent-free to successful operators, new service equipment supplied free of charge, rent allowances extended, special 5% re-shipment allowances applied to stock orders, first-grade tires shipped without wrappers and billed as "seconds," etc.

Gradual invasion of other retail fields by large tire makers is forecast by B. F. Goodrich Co's announcement of a midget radio set to be retailed at $49.50 through its retail dealers.

Meanwhile, mail order houses report tire sales in satisfactory volume and no present indication that the price increase of large makers will be followed. Prices charged by oil company tire distributors, already higher than the market average, are expected to remain unchanged.

Philadelphia Makes It A "Sell Now" Campaign

Retailers Find "Buy Now" Appeal Gets Results When Supported by Aggressive Merchandising

As a practical approach to the unemployment problem through sales promotion and the resulting need for replacement production, the "Buy Now" campaign idea is rapidly gaining national momentum. Fresh impetus has been given to it by the vigor of the big "Buy Now" campaign organized by the Philadelphia Chamber of Commerce, inaugurated Oct. 20, scheduled to run until Nov. 20.

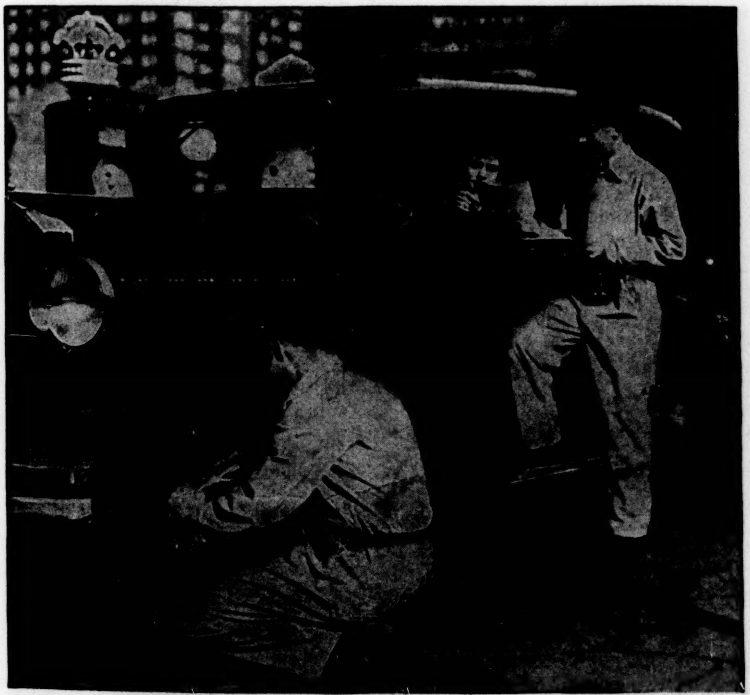
Originally planned as an attempt to stimulate consumer interest in locally manufactured products, the Retail Merchants Committee decided to extend the effort into a community-wide campaign to induce public buying through concerted action on the part of largest possible number of retailers.

Timed to break when weather and public sentiment might be expected to prove effective allies, the initial attack, launched October 20, confronted Philadelphians with the "Buy Now" slogan at every available point. Newspapers featured the campaign editorially. Advertisements carried "Buy Now" copy. Show windows, trolley-cars, subway and railway stations displayed "Buy Now" posters. "Buy Now" trailers and films began to appear in 128 motion picture theaters, while prominent local merchants and business men employed movie-tone pictures to urge public buying. "Buy Now" appeals went into broadcasts by the Chamber of Commerce and by individual radio advertisers. Department stores began special "Buy Now" sales, on extra-value items.

Some of the large business houses that had been skeptical at first came in with wholehearted support as the campaign got under way. Supplee-Wills-Jones, dairy products manufacturers, bought 1,000 large "Buy Now" posters for milk wagons and trucks. Philadelphia Electric Co. put 500,000 "Buy Now" poster stamps in use. Union labor organizations met, passed formal resolutions urging member support.

See 15-20% Increase

While definite results of all this activity cannot be accurately measured, evidence of its effectiveness is not lacking. Merchants generally feel that it has produced an average of 15-20% extra business. Gimbel Bros. and Lit Brothers, department stores, report unexpected and better-than-seasonal increases in sales, more noticeable as the campaign developed. Thresher Bros. ascribes a 20% increase over 1929 and



The Business Week

TIRES AND WIRES

Sale of tires at the gas stations of Standard of Indiana began November 1. About 1,000 of the company's 8,200 controlled stations are handling tires, of which 68 are in Chicago. Telegram service began at the same time seasonal improvement to the campaign. Maurice Spector, president, the Blum department store, reports business substantially in excess of 1929, with better-than-seasonal daily increases traceable to the campaign. Harold Bonwit, of Bonwit, Teller & Co., says "excellent business," "splendid results."

Several specialty shops in Philadelphia's retail center claim increases up to as high as 100%, but emphasize that values must be exceptional to make a "Buy Now" campaign successful.

Joseph Geuting, speaking for John Ward Co., Thom McAn Shoe Co., and Yeo & Lukens Co., finds definite increases in sales and public interest traceable to the campaign.

Credits Sales to Compaign

A sewing machine agent, orderless for 6 weeks previous to the campaign, during the first week sold 4 machines to women who told him that the "Buy Now" movement had prompted them to purchase at this time.

Philadelphia merchants generally report that public reaction was somewhat slow, the best and most important gains showing in the second week of the campaign.

Smaller merchants in particular have made price reductions to speed up results. A shoe retailer dropped 10% from his advertised list prices—first reduction of its type made by him in 10 years. Motion picture theaters have brought down the price of admission. Stores doing a large amount of credit business are offering special terms of extended payment, while department stores generally are permitting present purchases to carry December dating, making them payable in January.

Has Opened More Jobs

Philadelphia department stores began to employ extra help approximately 4 weeks ahead of the ordinary holiday increase date and expect to carry the enlarged force right through to New Year's. In one case 1,500 were added during the two weeks of the campaign; in another, 1,000. One store which had been discharging employees at the rate of 150 to 200 per week for several weeks prior to the campaign soon found it necessary to re-employ at an even more rapid rate.

Philadelphia has received over 500 inquiries from American and Canadian cities, asking for particulars as to the organization of its "Buy Now" campaign.

Philadelphia merchants agree that, to collect results in a "Buy Now" campaign, values must be exceptional, sales methods aggressive, stocks ample. In some cases, failures to pick up volume are charged to insufficient selections.

The importance of executive aggressiveness and of the maintenance of ample selections and stocks was demonstrated in a New England city which inaugurated a "Buy Now" campaign some time prior to the Philadelphia effort. In that city local organizations created a splendid set-up, did excellent groundwork, did not launch the actual campaign until assured of complete co-operation and effective attack. But the retailers neglected to attend to the most important detail—building up their stocks of merchandise to supply the demand they set out to create.

Their first advertisements carried under the "Buy Now" slogan created unusual public response at the start. Then, the organizations sponsoring the campaign began to get complaints from shoppers that local merchants' selections were not ample enough, in style, quality, or size; that they were unable to purchase the goods for which the campaign had inspired to buy. Hurry calls for help found wholesalers and manufacturers short of goods for immediate shipment, the city's merchants unable to give their "Buy Now" campaign the practical support required for its success.

Pennsylvania-Greyhound Merge 7,000 Mile Bus Lines

ANOTHER of the series of mergers of large long-distance motor bus companies which is bewildering the bus world was discovered this week when it was learned that the Pennsylvania Railroad and the Greyhound Corp. have jointly formed an new organization, Pennsylvania Greyhound Lines, Inc., to operate 7,000 miles of route in a territory which contains one-half the population of the country and 8 of the 10 largest cities. Each interest holds 50% of the outstanding common stock of the new company.

Nine subsidiaries of the two parent companies figured in the consolidation. For the Pennsylvania: Pennsylvania General Transit Co.; Peoples Rapid Transit, Inc.; Montgomery Bus Co. (including the Philadelphia Suburban Transit Co.); Pennsylvania Indiana General Transit Co.; Pennsylvania Virginia General Transit Co. and Buffalo Interurban Bus Lines, Inc. Greyhound contributed all their 3 eastern lines.

The bus merger trend receives its impetus from the fact that the law governing interstate operation of buses which the industry hopes Congress will pass next year, is expected to contain a "grandfather clause" automatically licensing the interstate set-up.

Keystone

"It Ties Up Nice, Too"

J. C. Penney, chain store champion, demonstrates his ability behind the counter while making an inspection tour of his 1395 stores

Wide World

Locks Out Noise

Hiram P. Maxim displays his Room Silencer, first used in the directors' room of the Hartford National Bank. The device is placed in the windows, which are closed down on it. A fan pulls in or expels air

Speed Becomes First Essential In Unemployment Relief

Unemployment again held the center of the national stage this week, though the spotlight shifted for a moment on election day to pick out the still employed, the newly employed, and the newly unemployed in political ranks.

Discussions this week have made it increasingly clear that speed is of the essence of effective unemployment relief. Critics, however impressed by the scope and intent of governmental programs for providing jobs by launching state and municipal construction projects, for adding to them by inspiring private construction on a large scale, are voicing serious doubts as to whether, with all the will, a way can be found to get this work going and money into pay envelopes in time to serve the present emergency. Colonel Woods and those who are cooperating with him are studying the lag between bond issues and bids, between the passing of appropriations and the breaking of ground, realizing that their biggest job may be that of cutting red tape and slicing away traditional preliminaries to action.

Intent on getting the national ear without delay, Colonel Woods has appointed Edward L. Bernays, well-known public relations counselor, a director of publicity for his committee, and Percival White, a student, author, and expert in the personnel aspects of scientific management, as his assistant. The colonel plans to decentralize the committee's work through 5 regional directors whose work will be coordinated by James C. Lawrence, dean of administration, University of Minnesota. The first 2 regional directors to be appointed were Frederick C. Croxton, assistant industrial commissioner of Ohio, and Frank Bane, commissioner of public welfare of Virginia. Mr. Croxton is to be director of the Central Lake states area; Mr. Bane of the Southeastern states.

Colonel Woods is expected to emphasize construction work as a chief source of unemployment relief. He has selected Sewell Avery, president, U. S. Gypsum Co., to head a division to cooperate with industry in supplying more jobs of this and other types. To stimulate action the chairman of the President's Unemployment Committee is telling the country that public construction costs from 2% to 20% less now than in 1929. Standard Statistics adds to this the fact that interest rates on municipal bond issues dropped from 4.38% in September, 1929, to 3.97% in August, 1930.

This week citizens of 20 states voted on $475 millions of bond issues, $410 millions of which are for such projects as highways, buildings, bridges, and water front improvements. According to a survey made by S. W. Straus & Co. much of this work could be gotten under way shortly after election.

The Bond Issue

While this viewpoint is held by many, including Colonel Woods, who has urged the approval of proper bond measures as a means for relieving unemployment, others are less sanguine. Typical of their answer is the analysis made by state Senator Emerson L. Richards, Republican, of New Jersey, to support his objections to the $100-million bond issue voted on in his state.

Senator Richards maintains that only $23 millions of the bonds will be available during 1931; similar amounts will be released during subsequent years up to 1935. Secondly, he says that all the money to be obtained from the sale of water bonds will go to purchase of land and $65 millions of the road bonds will be used in the acquisition of rights of way, bridges, and viaducts—again for real estate. In view of this, he concludes, the remainder to be spent for labor over a 4-year period will offer little help for current unemployment.

Government Agencies Cut Red Tape to Release Work

Virtually all federal agencies have taken definite steps during the past week to improve their unemployment relief measures; to discover new ways to alleviate unemployment distress.

Possibly the most spectacular, most promising for future results is that described in the decision of the Interstate Commerce Commission to permit the Chicago & North Western Railroad to spend $500,000 during November and December on maintenance of equipment, without charging the cost of the work to current expense until traffic picks up and the reconditioned locomotives and cars are returned to service.

Directly following this order, 4,000 men returned to work in North Western's Chicago shops on a 3-day week basis, their wages to be charged against 1931 expense. This test case—

first time the commission has permitted such a step—is being watched with interest, not only by other railroads—somewhat skeptical of the proposition—but by business in general which scents the possibility of an unusual effective remedy against future crises.

Other railroads are skeptical because they are not sure of a large enough volume of traffic next year to justify heavy maintenance expenses now.

Charge Obstruction

Another development expediting employment may come out of the complaints now being considered by the Federal Power Commission, that differences over small items of pre-license expense are holding up public utility construction projects on which large numbers of men could find employment. Complainants say that the Water Power Act provides that a statement of costs be forthcoming after construction of new plants and systems; charge that to require that all items of cost be agreed upon before a license is issued is obstructive.

The Department of the Interior is speeding up plans for the Hoover Dam; will let contracts months in advance of dates originally scheduled. About $5 millions of work will be advertised Nov. 15; contracts will be let at once; will provide employment for about 500 men. The contract for the dam itself, to cost about $60 million, will be let March 1.

Postmaster-General Brown has ordered that the 10-day Christmas mail work, requiring about 230,000 additional persons, be given to needy unemployed without regard to civil service ratings. Bids are to be received on Nov. 14 for the preliminary excavation work on the new Kansas City post office.

Army and Navy Enlisted

The Navy Department expects to start work at once on $1½ millions of construction projects, including a pier at Philadelphia and marine barracks at Quantico, Va. Contracts for these jobs have already been let but work was not scheduled to begin until next April. Bids on $3 millions additional construction will be opened at once and the work, scheduled for next spring, will be started as soon as possible.

The War Department has just started operations on construction projects valued at over $3 millions.

A movement is under way to get the War Department to grasp the present opportunity to place educational ordinance orders with industry as provided in national preparedness plans.

BUY
APPLES
5

International News

KEEPING UNEMPLOYMENT AWAY

Last week, jobless men introduced apple week by selling over half a million apples on the sidewalks of New York. The sale was arranged by Joseph Sicker (right) chairman of the International Apple Association. The men were trusted with a box of 80 to 100 apples, for which they paid $1.75 at the end of the day, making $2.25 profit

Industries Revise Their Plans To Make More Jobs Available

UNUSUALLY satisfactory has been the response of business to pleas for constructive relief measures to provide employment. More and more concerns are revising their own operating plans to supply more jobs; others are offering money and services to further the general cause.

U. S. Steel Corp., Bethlehem Steel Corp., and Standard Oil Co. of New Jersey have all definitely announced that they will drop no more employees for lack of work; pro-rate available jobs among their present force so that all may be assured of at least part-time work. Tide Water Oil Co., Bayonne, N. J., has reduced its working week in order to retain its present working force.

The Great Atlantic & Pacific Tea Co. has offered to donate to the United Charities ½% of the price received for each loaf of bread it sells; announces that this move is intended not only to provide much needed financial assistance to the charities but to increase bread consumption and so help to reduce the wheat surplus.

The Industrial Loan Corp. has set up a fund of $100,000 to be used in making loans up to $50 each without interest or other charges for the relief of indigent families. Loans will be made through welfare organizations.

M. L. Friedman, president of the A. S. Beck Shoe Co., says his company will cut its prices 10%; will lose $100,000 anticipated profits during November, in order to stimulate sales and so keep its 10,000 employees in 10 factories and 95 stores at work.

Wurlitzer Piano Co. announces that it is operating at 100% capacity; has taken on 300 men recently; has a present force of 1,100 more than a year ago.

Fewer Hours; More Men

Hours of work at the Hawthorne Works, Chicago; Kearny Works, N. J., Breeze Point Works, Del., of the Western Electric Co. have been shortened in order to keep the maximum number of employees at work, according to a statement made by Edgar S. Bloom, president of the company.

The present working force was 11% less on Sept. 30 than on the same date in 1929 but is 45% greater than at the end of September, 1928.

T. F. Hart, a Dallas (Texas) furniture dealer, has offered to be the first of 100 Dallas business men to spend $25,000 each this winter in new construction and repairs. A leading department store in Dallas has just taken on 452 more sales persons during a special sale period.

E. I. duPont de Nemours & Co. will crowd into the next 6 months construction projects which had been planned to cover a much longer period.

Nathan M. Ohrbach, president Ohrbachs, New York, will inaugurate a stagger system in his business which will give work to 625 additional persons. The present force of 1,250 will receive ½ day off each week without loss of pay; their jobs will be taken over by 625 new employees.

Railroads Add to Personnel

Railroads, in particular, have not been backward with unemployment relief plans. That just inaugurated by Chicago & North Western is described elsewhere in this issue. Boston & Maine Railroad is to employ a 5- and 6-day week in its mechanical departments instead of the present 7-day week, will provide 200 more jobs.

Pennsylvania Railroad has called in 600 employees who have been on furlough and has started work on the construction of 1,500 steel cars valued at $5 million.

This week the Sayre Shops of the Lehigh Valley Railroad went from a 3-day week to one of 4 days. About 1,600 employees are affected.

Building Feasible All Winter; Cheaper Than Summer Work

Unemployment Relief Projects Direct Attention To Advances in Technique of Cold Weather Construction

To effect immediate unemployment relief, many campaigns now under way to expedite public and private construction contemplate getting operations under way at once and continuing them through the winter. Business men in general may not realize that this is sound practice; that there are neither mechanical nor economic reasons to prevent almost any kind of construction's being pushed during the winter.

Concerned about the highly seasonal nature of its business, the construction industry has studied the possibility of increasing winter activities; has arrived at 2 definite conclusions generally accepted throughout the industry and based on actual operating experience: (1) Nearly all kinds of construction work can be carried on under the most severe weather conditions with methods and equipment generally available; (2) costs of winter construction are usually less.

Costs that winter adds—provision for shelter, heat, snow and ice removal—average about 10% of the total. But this 10% is more than offset by lower costs of materials, more efficient and usually cheaper labor.

Winter construction is affected not only by cold but also by wind, sleet, and snow. Ten-year records of New York weather conditions show that for an average of only 14 days a year were temperatures so low as to affect general building operations seriously. On about 16 other days, temperatures would have hampered workers in exposed positions. The Geo. A. Fuller Co. during a 10-year period was forced to suspend operations an average of 14 days a year because of excessive cold. Its experience thus checks with Weather Bureau figures.

No Mechanical Limitations

The Hoover Committee on Seasonal Construction in its 1924 report said: "Climatic conditions which limit the construction season operate primarily and directly on the human element. In general, any material, method, or equipment which reduces human labor and exposure . . . operates to extend the limits of the working season." In other words, there appears to be no mechanical limitation to winter construction work; it becomes impossible only when excessive cold, wind or other conditions prevent efficient human functioning. Shelters, at comparatively low cost, are remarkably effective. Since the Hoover Committee reported, there has been a considerable advance in cold-weather building technique.

Labor savings from winter work vary widely. A comprehensive study of the

The Business Week

CONFER TO PROMOTE NEW ENGLAND EMPLOYMENT

Members of the New England Council and representatives of the state manufacturers' associations recommend "immediate local registration of persons wanting work." Left to right are: E. Kent Hubbard, president, Connecticut Manufacturers' Association; John J. Cummings, New Hampshire Manufacturers' Association; John A. Muehling, Manchester, N. H.; Benjamin Franklin, president, Associated Industries of Massachusetts; Ray M. Hudson, New England Council; James W. Hook, chairman of the Council's Industrial Committee; A. B. Clark, president, Associated Industries of Vermont; Chester T. Morey, president, Associated Industries of Rhode Island; Olin D. Gay, and Robert M. Leach experiences of a large number of contracting concerns in the East was made by the Hoover Committee and showed that, on the average, brick masonry labor cost 15% less in winter than in summer; reinforcing labor cost 6% less; concrete labor cost 11% less; form labor cost 8% more. In a direct comparison of summer and winter labor on a $750,000 project, one contractor found winter operatives 9½% more effective.

This labor differential is due to slack work in the winter and consequent excess of idle workmen. Common labor wages tend to be lower; skilled workmen do not ask for bonuses, and there is a definite improvement in the application of workers to their jobs when jobs are relatively few.

Of the mechanical equipment and materials employed in construction, concrete is the only one which may cause serious trouble. If it is permitted to freeze before it sets properly, trouble surely ensues. There are several well-known and simple methods such as the use of special quick setting mixes, heated mixtures and forms, shelters, which make possible satisfactory pouring of concrete in the most severe weather. Canadian contractors have regularly poured mass concrete at temperatures of 30° below zero.

States and Cities Make Job-Finding Biggest Job

States, municipalities, and regional organizations grappling with the unemployment problem in their territories announced new hopes, plans, resources for relief during the week.

Governor Allen of Massachusetts has established an emergency unemployment committee which has already outlined its campaign for cooperative efforts on the part of all citizens. The committee urges all employed persons to spend as usual; to do their Christmas shopping early, particularly if they have Christmas funds waiting for them in the banks; urges property owners to make all practical repairs and alterations; urges municipalities to anticipate all necessary work on public buildings.

New Hampshire has just formed a state unemployment committee headed by Governor John G. Winant. All New England activities are being effectively coordinated by the New England Council. It is now carrying on a campaign to get all New England's unemployed registered.

In California, labor-saving machinery used in 8 state-operated construction camps has been eliminated until the unemployment emergency is over. Return to hand labor for jobs formerly done by machines at these camps provides 2,000 additional jobs.

The New York State Department of Labor reports that 292 firms and factories of the state have adopted definite plans for preventing unemployment among their workers. Part-time employment is used by 127; 66 manufacture for stock; 50 employ sales forecasting and forward planning to even out slumps; 43 transfer employees into departments where work is still available.

New York Organizes

In New York city, the police census of unemployed family heads has found 36,833 in need of relief. Food, clothing, and fuel, donated by private and public charitable agencies, will be distributed to their families through the Police Department. The City Council has appropriated one sum of $347,000 for immediate relief. Of the total, $111,000 will be used in making over the East 25th St. Recreational Pier into another municipal lodging house where 1,500 unemployed persons can be cared for nightly. The remaining $236,000 will be utilized in providing work for 2,000 men in the city parks—3 days' work a week until Jan. 1, when, if necessary, new appropriations will be sought.

The city has also appropriated $1 million to help the city hospitals and charitable organizations who have been shorn of funds by emergency calls during the year. To the $250,000 a month unemployment fund, to be raised among city employees, the police department has pledged $35,000 and the fire department $115,200. A newly formed women's committee has undertaken to raise $500,000 at once toward an emergency relief fund to be expended through the Salvation Army.

29 Clerks—1 Job

James E. Gray, National Employment Exchange, New York, reports no improvement in employment of office workers in the city. During October there were 2,950 male applicants for every 100 jobs available, compared with 2,130 in September. The number of female applicants per 100 jobs dropped from 1,400 in September to 1,380.

Unemployed in Cook County, Ill., (Chicago) will be registered on Nov. 8 at 352 public schools throughout the county.

New Orleans is also preparing to register its unemployed; Mayor T. Semmes Walmsley has formed a group whose aim will be to provide a job for every jobless family head in the city.

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Business as Usual

There may be icicles on the outside, but work continues behind the tarpaulins on this bridge

Worried by Job Outlook, Unions Plan Relief

The unions, caught in the general shortage of jobs, show no improvement as to employment conditions in their ranks. October figures reported by the American Federation of Labor indicate 21% of trade union members still out of work, no change from September. While it is not unusual for employment to fail of an increase from September to October, William Green, president of the A. F. of L., is worried in view of what he sees as a serious outlook for the next few months.

Last winter, according to A. F. of L. figures, the October total number of unemployed had increased 71% by January and doubled by February. During the previous winter, when employment conditions were relatively good, unemployment increased 47% from October to February. Assuming that there are only 3½ millions unemployed now, a seasonal increase of usual proportions would bring the total well over 5 millions early in 1931.

In addition to the 21% of union members without any jobs, 15% more were working part-time with corresponding reductions in earnings. Unemployment was highest in October in the building trades, where it reached 38% out of work and 14% on part-time; in the metal trades 21% were jobless, 23% on part-time; in the printing trades, 7% had no jobs, 14% part-time jobs; in all other trades the jobless totaled 14%, part-timers 15%. In 15 cities union employment was reported better in October than in September, but in Boston, Buffalo, Chicago, Cleveland, Los Angeles, Milwaukee, Paterson, and Seattle it was worse.

Several trade unions have recently adopted measures of relief for idle members.

This Is Col. Arthur Woods' Third Fight for the Jobless

Police Commissioner, Aviator, Lumberman, Textile Man, Educator, Financier, He's Widely Experienced

Twice before the doughty Colonel Arthur Woods has been pitted against the dragon of unemployment. Both times Mr. Hoover—then enjoying himself as Secretary of Commerce—watched from a ringside seat and led the applause.

In 1919 army discharges were inundating peace industries with dissatisfied doughboys at the rate of 300,000 a month. Arthur Woods, sometime colonel of aviation, became an assistant to the Secretary of War to handle what might have been a dangerous situation. Fast work by the colonel and a pickup in business solved the crisis. Two years later President Harding called Colonel Woods back to work with Secretary of Commerce Hoover in combating a real slump.

It was inevitable that President Hoover should turn to Colonel Woods when a similar depression demanded a man with a national technique. The colonel is chairman of the Emergency Committee for Employment. He has acted with a swiftness that makes up in some measure for the governmental delay in admitting the need. Four days after his arrival in Washington he had organized a staff and animated it to a state of feverish activity. Seated at a long golden oak table in one of those bleak Commerce Department board rooms, Colonel Woods has lived with one ear to the telephone.

Himself an expert in applied publicity, Colonel Woods is aided in this instance by the astute Edward Bernays. While creating an organization and starting surveys, they elicit helpful trumpetings from the press.

Since the advent of Colonel Woods, the powerful revivalist note can be detected. The nation is embarking on a crusade—a thing it thoroughly enjoys. Slogans and catchwords appear. One can feel approaching that spirit of exaltation in which we accomplish miracles.

Judging by 1921

The colonel's probable approach to his problem may be predicted from his 1921 accomplishments. Governors and mayors organized communities. Public works were speeded. Clean-up campaigns by cities and factories were instituted. He pointed out that the only cure for joblessness is jobs. Homeowners were urged to start necessary improvements; to begin work sooner rather than later. Everyone was asked to: Furnish one man a job. Vote for public improvement bonds. Start construction programs on which expenditure already was authorized. Persuade others to furnish work.

Colonel Woods was appointed in September, 1921, and by the following March the situation had thawed. It is impossible to judge just how much his work helped. This time there is to be no let-up because of prospects that next spring will better conditions. The colonel and his aides are going at the job as if there were no bright possibilities on the horizon.

To Build "Radio City"

By personal influence there may be much he can do. Know that by marriage Colonel Woods is a member of the J. P. Morgan family. Also he is close to the Rockefellers, the younger John D. being immoderately fond of him. He heads the company through which John D., Jr., will wreck and rebuild the 11 acres bounded by Fifth Avenue, Sixth Avenue, 48th Street and 51st Street, New York city. This, the heart of the speakeasy belt, is to be ripped out. A center consecrated to beauty, art, and high store rentals will replace the shrines of whoopee. As a director he has a say

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Snow No Barrier

With modern equipment, construction can go forward in the dead of winter. Once below frost-line (and frozen ground is no harder than rock) this pipe-line job meets with little difficulty in the plans of Bankers Trust Co., Colorado Fuel & Iron Co., Consolidated Coal Co. He is also a trustee of the Rockefeller Foundation.

When Colonel Woods holds a press conference in Washington he is able to speak to the boys in the vernacular. He is of that vast multitude which can say, "I used to be a newspaper man myself."

Groton to "Headquarters"

Arthur Woods was born in Boston, son of a textile executive. After being graduated from Harvard in 1892, he studied at the University of Berlin, earned an LL.D. at Trinity College in Connecticut, and then began what promised to be a tame and cloistered life. Joining the faculty of the famous Groton preparatory school for boys, he taught there ten years. English and English literature were his subject.

Tiring of this refined but unexciting existence, Arthur Woods became suddenly active. He left Groton to travel. Returning to New York he got a job as reporter on the *Sun*. Police matters fascinated him. A committee of citizens sent him to Europe, where he studied police methods at Scotland Yard and other central offices. When he got back to New York, Police Commissioner Bingham created the office of Fourth Deputy Commissioner and handed it to Woods.

Bingham retired and Woods resigned to take charge of a lumber company in Mexico. There was also a short interlude in the cotton converting business at Boston. When John Purroy Mitchel ran for mayor of New York, Woods was discovered as head of his publicity campaign. Mitchel won and made Woods his secretary. Later Woods was given the appointment he enjoyed better than any job he ever held—that of New York's Police Commissioner. People who should know say that he made the best police head the turbulent metropolis ever has had.

Publicity to Aviation

His first war job was with Mr. Creel's Committee on Public Information. Jumping from that, he landed a commission as lieutenant colonel of aviation and in a few months earned the silver eagles of a full colonel. After leaving the service he was shifted to the employment jobs of 1919 and 1921.

In 1916 the "Four Hundred" and the police department were startled by the announcement that Arthur Woods was going to marry Helen Morgan Hamilton, granddaughter of the late J. P. Morgan and daughter of a Morgan partner, and a great-great-granddaughter of Alexander Hamilton. The socially elect who attended the wedding attracted less attention than the 23 police inspectors, resplendent in polished buttons and blue broadcloth.

The Woodses have four children. One of the three boys bears the name of his illustrious great-great-great-grandfather. The colonel is one of that grim little band of New Yorkers who live on Murray Hill and who back the Morgans in their fight against the invasion of the district by business skyscrapers.

Our unemployment expert is 60 years old. His hair is white but there still is a lot of it. Colonel Woods' face is of the long, intellectual type, reminding one somewhat of Woodrow Wilson's. The eyes are grey-green and possess a disconcerting directness which must have been useful in police work. Only when he reads are they aided by lenses. He speaks with a low voice that has slight but inoffensive Harvard modulations. In stature he is about 5 feet 10. Tennis, his favorite sport, keeps his waistline under control. Regarding golf, Colonel Woods is a rank heretic. He has been known to refer to that conquering pastime in terms that savor of open insult.

Cincinnati, Cited by Woods, Prepared for Unemployment

City Relief Organization, Set Up as Model, Began to Function Nearly 2 Years Ago

IN response to calls for suggestions on how to organize local unemployment relief programs, Col. Arthur Woods, chairman of the President's Emergency Committee on Unemployment, is now recommending that other cities follow the example of Cincinnati.

Inquiries at the Ohio city which have followed this announcement are being met by the reply that whatever advantages the Cincinnati plan has over others—and its sponsors would be the last to claim that it works miracles—are due to 3 causes: It was organized

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THEIR JOBS TO MAKE JOBS

Dr. Lillian M. Gilbreth, in charge of women's activities, and Col. Arthur Woods, director of the Emergency Committee on Unemployment, begin work in their Washington office

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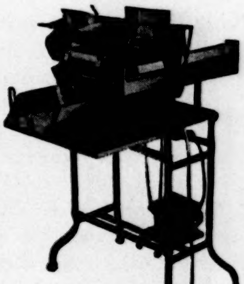

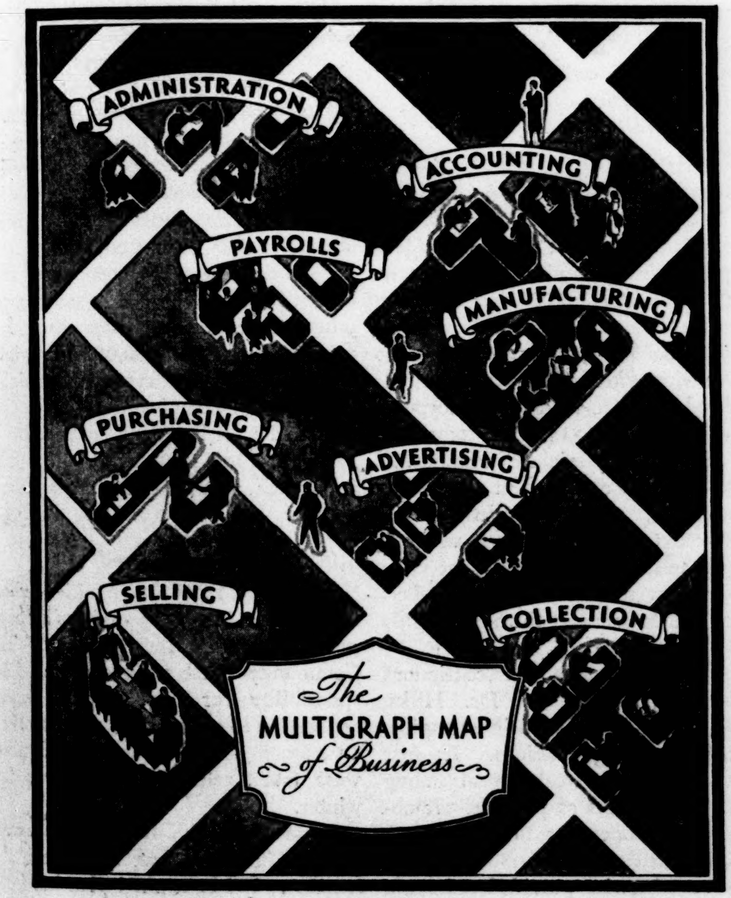

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Speed up your business with

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The Business Week

EAST MEETS WEST

The new 50,000 kilowatt steam station, opened Oct. 31, at South Amboy, New Jersey. Jersey Central Power & Light is a part of the Middle West Utilities System, one of several Insull holdings in the East

long before an unemployment emergency occurred; it is designed to function continuously, not just through the present time of stress; it has received the whole-hearted cooperation of business men and public officials of the Cincinnati district.

Hoehler Perhaps Originator

Probably the idea was born in the mind of Fred K. Hoehler, director of public welfare. He discussed it with C. M. Bookman, director of the Community Chest, and with Dr. F. C. Hicks, former president of Cincinnati University, afterward took it to Col. C. O. Sherrill, then city manager. In January, 1929, came the organization of a Permanent Committee on the Stabilization of Unemployment, with 20 leading business men as members—Colonel Sherrill, chairman; Mr. Hoehler, secretary. Its purpose was to study the problems of stabilizing unemployment and to create machinery to handle an unemployment emergency should one arise.

Ten sub-committees were appointed on: state-city employment service; continuous employment; temporary employment; public works; cooperation with social agencies; budget and finance; state and national cooperation; transients; fact finding; publicity; and education.

The fact-finding committee went to work at once. With the cooperation of the Board of Education, which by law takes an annual school census, it made a comprehensive unemployment census in May, 1929; found 6,000 out of work. Upon that base the committee developed fairly reliable monthly employment figures which, in the early fall of 1929, indicated an increase in unemployment and gave warning to the main committee that an emergency might be imminent.

The state-city employment service was strengthened, monthly bulletins were published telling employers what it offered, and regular and constant visits to industry were undertaken by members of the staff to acquaint them thoroughly with industry's needs.

The sub-committee on continuous employment, headed by Dr. Hicks, hardly got under way until unemployment began to get serious. Its first effort was to have work spread among as many employees as possible. It obtained such cooperation that over 50% of Cincinnati's employers shortened hours or otherwise provided for more workers than they normally would employ.

Through the activities of the public works sub-committee, public improvements which usually would have been started much later got under way immediately. The city of Cincinnati and surrounding cities and villages and county units furnished more work for the unemployed during the past winter and spring than ever before under similar conditions.

The sub-committee on temporary employment made an advance survey of possible jobs for an emergency, set up a large committee to locate others, and was a real source of help when the emergency actually arrived last fall.

Community Chest Aids

Jobless workers still unprovided for when all the available jobs had thus been uncovered were taken care of through relief methods but, even here, the policy of giving work rather than charity was adhered to as far as possible. A joint committee sponsored by the Public Welfare Department and the Community Chest operated a relief program in conjunction with the state-city employment service. Work for unemployed was secured at public and semipublic institutions and paid for from Community Chest funds.

In last winter's program heads of families were given the preference in filling jobs; wages were considerably lower than current standards; a minimum of 24 hours a week was assured. By this method over 3,000 families were cared for during the winter at a cost of about $48,000. The Community Chest, in addition to this expenditure, contributed about $10,000 a month for other relief. It is estimated that such a program will cost $200,000 this winter with unemployment considerably higher than last. Unemployment in the Cincinnati district has gone from 6,000 in May, 1929 to 12,000 in May, 1930; in September it was estimated at about 18,000.

5,000 Families Helped

Necessary relief to families whose heads were jobless was given through regular family welfare agencies. The Community Chest assumed financial responsibility for this aid, left actual application to experienced social workers on agency staffs. Over 5,000 families were taken care of in this way last winter.

Various other mechanisms were brought into play but, in general, the success of the Cincinnati plan has been based upon the development of a definite plan before an emergency made forward thinking impossible and the complete coordination behind that plan of government, social agencies, Chamber of Commerce, University, labor, industry, of every important group of citizens.

TO THE MOTORIST

who rather objects
to this sort of thing

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It actually seals punctures on running wheels . . . puts a stop to road troubles. It maintains correct air pressure. It reinforces the tire. It reduces tire care to a minimum. It adds 25% to 30% more mileage.

With all that, the Air Container ends the danger of sudden flats and hazardous blow-outs, setting a new *SAFETY* standard for driving as we find it *today*.

It isn't so much a question of "would you like a set of Air Containers?" as it is—"can you afford to be *without* Air Containers?"

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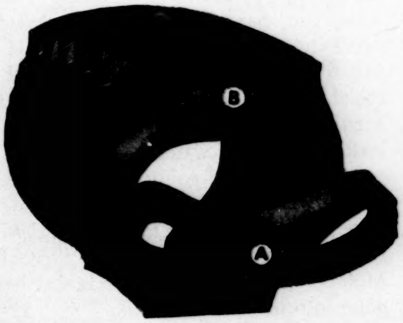

How the Air Container Works

(A) shows a cross section uninflated. When air is applied, the "bridge" of rubber underneath the cord insert (B) is placed under compression by being forced into shape. Any puncture is instantly sealed by compression.

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Motor Boat Industry Found 1930 Good for Old Firms, Bad for New

Veterans Astonished by Sales in September, Ordinarily a Perfectly Dead Month

THE pleasure boat industry, sometimes referred to as "depression proof," has made steady headway during 1930 despite choppy financial seas and threatening shifts in the winds of demand. Some companies carrying too little ballast have shipped considerable green water. There have been calls for help. Not loud, unseemly shrieks that would alarm the industry, but silent signals which bankers and competitors understand.

Most of the established companies have done surprisingly well this year. Some have even topped records. The distress—none of which is public, mind you!—is confined to late arrivals in the industry. Bankers are carrying a few at the end of unseen tow lines. Aid probably will be continued until the New York motor boat show, starting Jan. 16, forecasts weather conditions for 1931.

The 1930 show astonished the pessimistic. Though the slump was well established by that time, the show yielded orders totaling $6,485,000, or $1½ millions more than the year before.

Here was unquestionable proof that the nation had gone boat-minded. There are reasons. Highway congestion has reduced the pleasures of motoring. Constant use has made a commonplace necessity of the automobile. A boat is a luxury machine, highly satisfying to the social vanities. Also there is a new thrill for the jaded motorist who drives a fast boat through the water.

Makers of land-going motors see the trend. The Winton Co. of Cleveland, large manufacturers of marine diesel engines, was recently acquired by General Motors. The Indian Motocycle Co. has gone into out-board motors.

Overproduction Here Too

Easy sales tempted some boat builders to over-produce. The industry had grave doubts up to the 1930 show. Sales led them to hope they were immune from the epidemic. The amazing demand held to the end of April. Then sales in many models hit a sickening trough. When the promised business recovery repudiated its press-agents, many prospects decided they could do without boats for awhile.

The industry resigned itself to a slow year after it was becalmed this summer. Another surprise was in store. September saw an up-turn. One of the older companies placed 8 cruisers in that month. Ordinarily it sells none. These sales were too early to be classed as Florida demand. Analysis shows no classifiable trend. Just isolated cases of people tired of wanting boats and deciding at last to buy.

Builders of standardized cabin cruisers (Elco, Matthews, American Car & Foundry), sold more boats this year than last. But there is a catch in it. Increased sales of lower-priced boats account for the showing. Gross income is less in some cases. Most fortunate were the makers of single low-priced models. The next show probably will see a concentration on designs selling from $25,000 up and from $5,000 down.

This year disclosed a lessened demand for those buck-jumping run-abouts which sell for over $3,000. Sales for runabouts under this figure were good, but some companies went too deeply into mass production and the winter's snows will drift about many an unsold bottom.

Typical of the year's demand for value was the brisk traffic in second-hand boats. So many buyers were looking for bargains that prices held better than expected. Homan's Yard, Amityville, L. I., is said to have made a record of 200 new and used boat sales this season.

Gar Wood reflects the general confidence in the future by going into commercial production with a $250,000 plant at Marysville, Mich. Chris Craft Corp. reported a $2,204,000 business at the show but has done worse since. Elco, builder of standardized cruisers, bettered its last year's business. The Matthews Co., 40-year-old Port Clinton, Ohio, cruiser-builders, has sold 136 boats in 1930 against 96 in 1929.

Motor Makers Hit

Builders of in-board motors such as Kermath, Chrysler, Gray, Sterling, Lycoming, Winton, Hall-Scott, Johnson, Hill, Palmer, Red Wing, have flourished in proportion to the sales of their customers, the boat builders.

Makers of out-board motors have been hit. In the face of a market de-

READY FOR THE WATER

The business end of the production line in the Gar Wood factory, where speed boats are turned out like automobiles manding minimum prices, the outboards ran against a style objection. To sit on a chip and be hurtled through the water by an animated egg-beater seems to be a waning amusement.

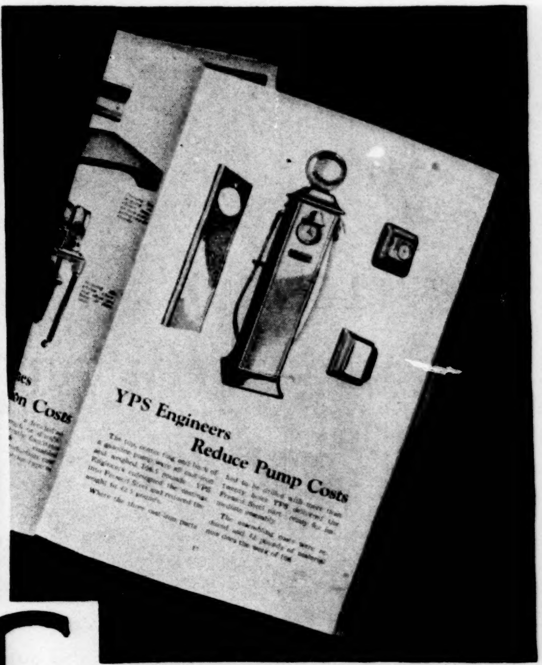
Up to 1904 the motor boat industry was larger than the automobile industry. It is now emerging from the eclipse suffered during the 15 years of intensive automobile development. A survey by Sanderson & Porter, business engineers, reveals that the United States had 1,429,514 motor boats at the beginning of this year. Some 3,000 of these were yachts of the documented or tonnage type; 241,514 were power boats over 16 feet long; 400,000 were outboard types; 785,500 were miscellaneous unnumbered. In ten years there was an increase of 162% in boats over 16 feet long registered with the Commerce Department.

While sales have increased, competition has eliminated the weaker manufacturers. Two years ago there were 2,915 builders and fewer than 200 dealers. Today the count is 55 makers and 240 dealers. The industry's annual pay-roll is estimated at $20 millions; it buys 20 million board feet of lumber, 250,000 gallons of paint, 70,000 gallons of varnish, and pays millions for hardware. Ten per cent of production is exported.

High Cost a Problem

The high-cost of boating is the industry's big problem. Engineers are hard at work on low cost motors; the cities are waking to the need of storage and anchorage facilities. The safety factor is next in importance. Fear of sinking and too much rigidity have defeated experiments with metal hulls. Henry Ford tried a metal boat but has never marketed it. Price resistance has been cut by the part-payment plan, which was pioneered by Chris-Craft. Now nearly all makes sell on a down payment of 40%, the balance over 12 months. In waterside towns automobile dealers are becoming agents for motor boats and helping to widen the distribution.

The boat industry is convinced that maddening traffic conditions are driving pleasure seekers to the water-ways. They encourage the sale of smaller boats, since growing income and desires lead to the purchase of larger craft. To increase the appetite for boating they are consistent national advertisers, they are fighting for the beautification of that municipal horror, the American waterfront; they are widening dealer organizations. They are encouraged by the knowledge that a man with boat fever never recovers.



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CAN BE REDUCED

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The pump industry is but one of many industries that have profited in the same way. Eighteen concrete examples in as many industries are given in the book "Adventures in Redesign."

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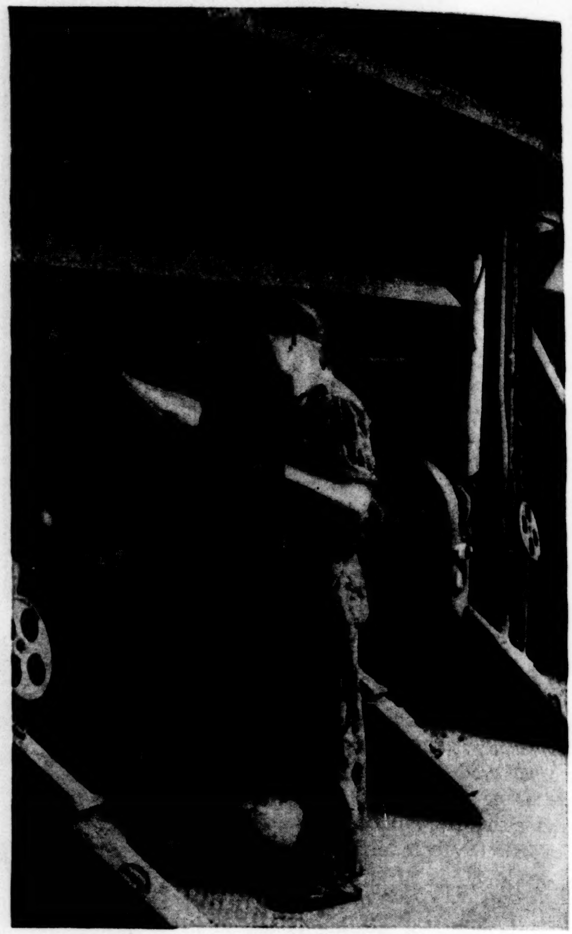
FOR AN AUTOMATIC STOKER...

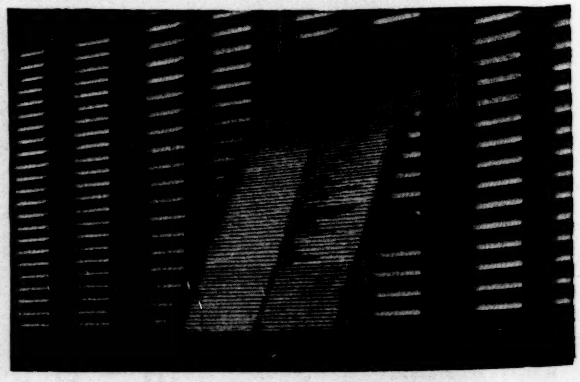


The engineer's report showed that the automatic stoker would save 50% hand labor . . . show a 30% fuel saving . . . pay for itself in two years. The finance committee okeyed the appropriation as a piece of sound business.

AMERICAN industry has never hesitated to scrap its machines when it found better ones. It never ceases its search for labor-saving, cost-lowering methods.

But here's a curiosity. A management that is alert to opportunities in its plant is often blind to opportunities equally as great in its offices and its field organizations.

Anxious to save a dollar in manufacturing, it does not always see where it could save thousands by lightening its selling, accounting and administrative overhead . . . by speeding its work . . . improving its control with more ample and accurate information.



Do you want to make quick economies? Do you hesitate . . . believing that money-saving methods would cost too much to install? Let Remington Rand show you what can be done in as little as thirty days. Discover how quickly the right equipment pays a profit . . . besides paying for itself out of savings.

Hesitated

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When a better method of keeping sales records was suggested, the committee said . . . "Why? . . . We did a good business last year. Things are slow right now and non-essential expenditures not warranted. Wait till things pick up."

The past year sent many in search of these new economies. Hundreds came to Remington Rand. Some of them learned how to make important savings in as little as thirty days! In many cases, new equipment has already paid for itself. Many a last quarter's statement . . . and many a dividend . . . will reflect the result of these better methods.

What about 1931? Are you all set to make *maximum* profits? Call in the Remington Rand man. He has a trained eye. He knows where savings can be made. He will explain how equipment can be purchased out of current expenses and savings . . . and how the Deferred Payment Plan can be profitably utilized. By calling for him you incur no obligation.

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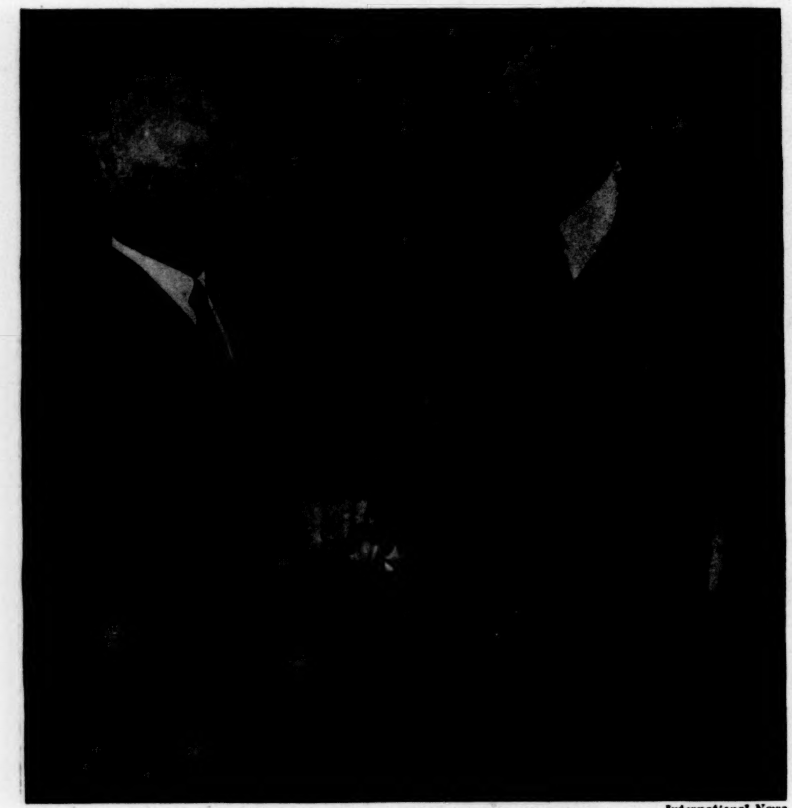


International News

"UNASSUMING, GENIAL, PLAIN-SPOKEN"

Alexander Legge (right), chairman of the Farm Board, greeted in Boston by E. C. Johnson, vice president, Chamber of Commerce

Better Business, Not Subsidy, Legge's Idea of Farm Relief

Agriculture Must Scale Down to Domestic Market, Controlling Production and Selling, He Holds

WHEN you go in to talk with the chairman of the Federal Farm Board in its unimposing, somewhat makeshift, offices in the old Southern Railway Building, you find the most likeable man in Washington. Alex Legge—as almost everyone calls him, and as he usually signs himself—is surely one of the most powerful public officials in the capital, but there isn't a trace of the bureaucrat about him, and probably never will be. Unassuming, genial, plain-spoken, he is something altogether new and different in the frock-coated atmosphere of official Washington.

Newspaper men, not used to this sort of thing, are a bit suspicious, think him evasive, shrewd, perhaps slightly Machiavellian beneath his simplicity; but they cannot help liking him. What he says is not only always news, but it is the liveliest news in the capital, because his statements are always informal, almost careless, couched in homely terms that the man in the street, or with the hoe, can understand—sometimes too well, so that a whole state, like Kansas, winces and roars at them. Legge doubtless rumples a lot of stuffed shirts in the capital and elsewhere, and is just the kind of man farmers would be wildly enthusiastic about if they knew him better, or if he were willing to appeal to their prejudices.

But he isn't; and they probably aren't and don't. What the average farmer thinks of Legge no one, not even he, really knows; but there is no doubt about what some people think of him; and nothing worries Alex less. Probably no public official, and certainly no government agency, in modern times in this country has been subjected to an avalanche of criticism, abuse, and vituperation like that let loose upon Legge and the Farm Board during the past year.

Some of the other board members and many others in official Washington have been a bit frightened and flustered by it at times. The board as a whole gives the impression of being jumpy and confused, as evidenced in episodes like Hyde's Russian bear hunt, and McKelvie's appeals to the Federal Trade Commission and Post Office for protection against anti-board newspaper propaganda in the West. And unquestionably the other board members, like the agricultural officials in Washington, are much more thin-skinned, smaller in stature, more easily shoved about, much less sure of themselves than the Farm Board chairman, who in more ways than one stands head and shoulders above them.

Braced to Meet Shocks

Through all this storm he has gone, still goes, and will go with his curiously small keen eyes half closed and his huge frame bent a little, not in submission, but braced to bear the burden and buck the line.

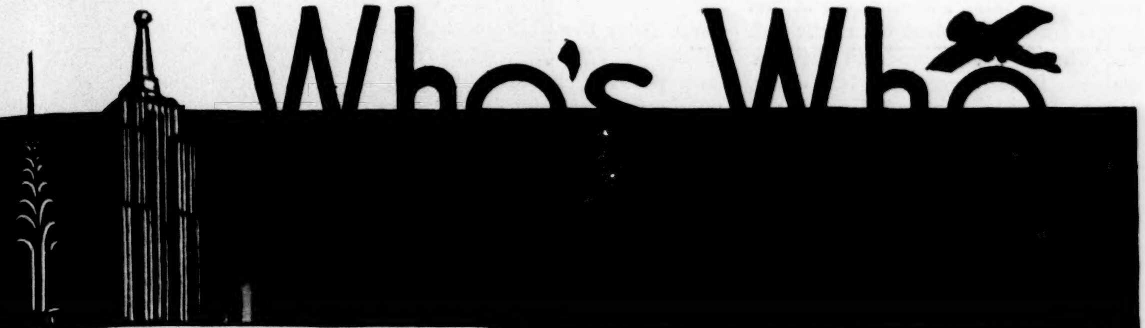
For Legge is, you feel, beyond everything else sincere and disinterested, determined and unafraid, a cheerful but probably not excessively hopeful warrior. He gave up his $100,000-a-year job and came to Washington, technically to administer the Agricultural Marketing Act, but really to do what he could do, and what he thought ought to be done, to help agriculture. What he really thinks of the Farm Relief Act you cannot be sure. Some things in it he plainly dislikes or doubts—the stabilization corporation provisions, for instance, on which the board burned itself once, and is since very suspicious about. It may be doubted, too, whether at heart Legge agrees fundamentally with the state of mind or philosophy that lies behind the law.

A Few Simple Ideas

You feel he realizes clearly enough how much broader and more complex a problem that of agriculture is than the people who drafted this law recognized it to be; but that, to avoid being swept away by, and getting lost in, its vast difficulties, he has fixed upon a few simple ideas to which he is determined to hold.

Those ideas are perhaps a bit too

Who's Who



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simple to be valid, and it is evident that he has not thought them out to the end. But whether you agree with them or not, you know they are at least ideas, his ideas, fairly clear and definite, and that they are the only ones the board has. There is no doubt that the board's policies center around Legge (though the chairman genially allows the other members to do or say anything they like, no matter how inconsistent or foolish).

Business Man's Ideas

The key to those ideas lies in the fact that they are a business man's, not a farmer's. Legge is unwilling to appeal to the farmers' prejudices because the farmer's fundamental prejudice is that he should be allowed to do what he pleases. Legge knows that a successful business man cannot do what he pleases, and at bottom his objective is to make farming a more successful and profitable business. This is not quite the same thing as the purposes of the Agricultural Marketing Act, which was simply to give farmers some more money. Legge obviously does not believe there is any use in giving farmers more money unless thereby they can be taught, persuaded or compelled to make more for themselves.

His long experience as a successful business man has made him believe that no industry can be successful if it does not control its production in relation to the market demand, and does not secure effective control over the distribution and marketing of its products.

Funds Are a Weapon

These two things are the basis of his thinking, and of Farm Board policies. So long as he is its head he is determined to pursue them against whatever obstacles are opposed by politicians, by commercial interests, or by the prejudices of farmers themselves. The board's funds, in his mind, are not intended merely to relieve agricultural distress, but as a tool or, if you please, a weapon, by which to secure a reduction of production to the basis of the domestic market, and to build up control of that market through cooperative organization. Production of every crop of which there is a surplus above domestic needs or existing foreign demand must be cut, no matter what is done with the excess land.

He sees Russia exporting wheat on a large scale and growing her own cotton in the future, and all the rest of the world becoming increasingly independent of American supplies. Even cotton should be cut till it commands an adequate world price. He views with complacency the ultimate abandonment of the foreign market for American farm products, believing it inevitable, and in the long run beneficial to our farmers. Until this is done, he is privately not much interested in tariffs as a means of agricultural relief.

In the meantime our farmers must be cajoled, enticed, or even forced to build up national marketing organizations ultimately able to take over the control of the domestic market. Otherwise they will get little or no help from the Farm Board while he controls its purse strings. In this, fortunately, he has the law technically on his side, and is able to stand pat.

If some farmers, or states, don't like this program, Legge is quite willing to have them take the consequences. They have been told the cold facts, and if they won't face them the rest of the country can view with equanimity their being forced out of business. So, too, with the commission men, exporters, speculators.

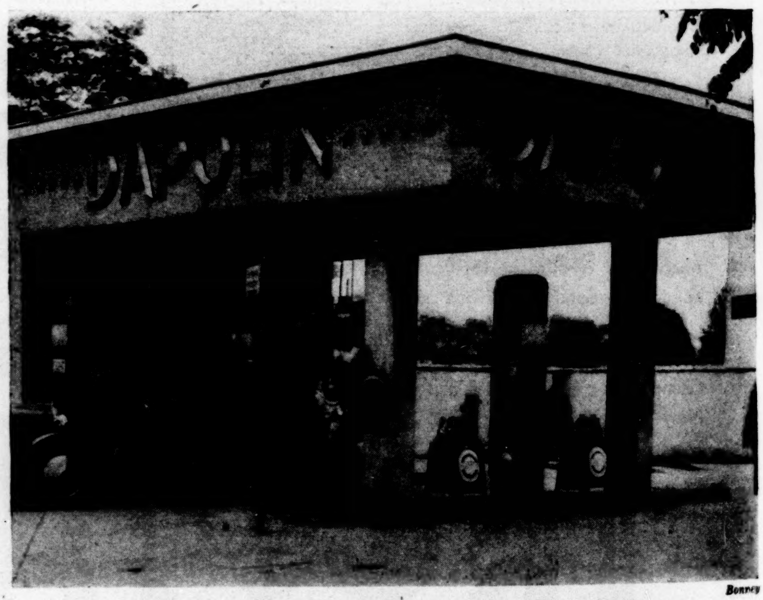
Legge is going to make agriculture a paying business and is willing to let the best man win out in it. "If the co-ops are hopelessly inefficient and rendering poorer service than the other fellow can do, that situation will soon take care of itself naturally. But at the same time, there are another lot of fellows who think the cooperatives are growing too rapidly and are interfering with their business. Now you can pay your money and take your choice. Obviously both statements can't be correct."

As you talk with him you see behind all his thinking a business mind interested in strengthening agriculture as a business and not in helping farmers as individuals. Though he does not say so, you know that he probably regards the exodus of millions of farmers and others from this business as inevitable and necessary to put it on a more even level with other businesses.

Expects No Miracles

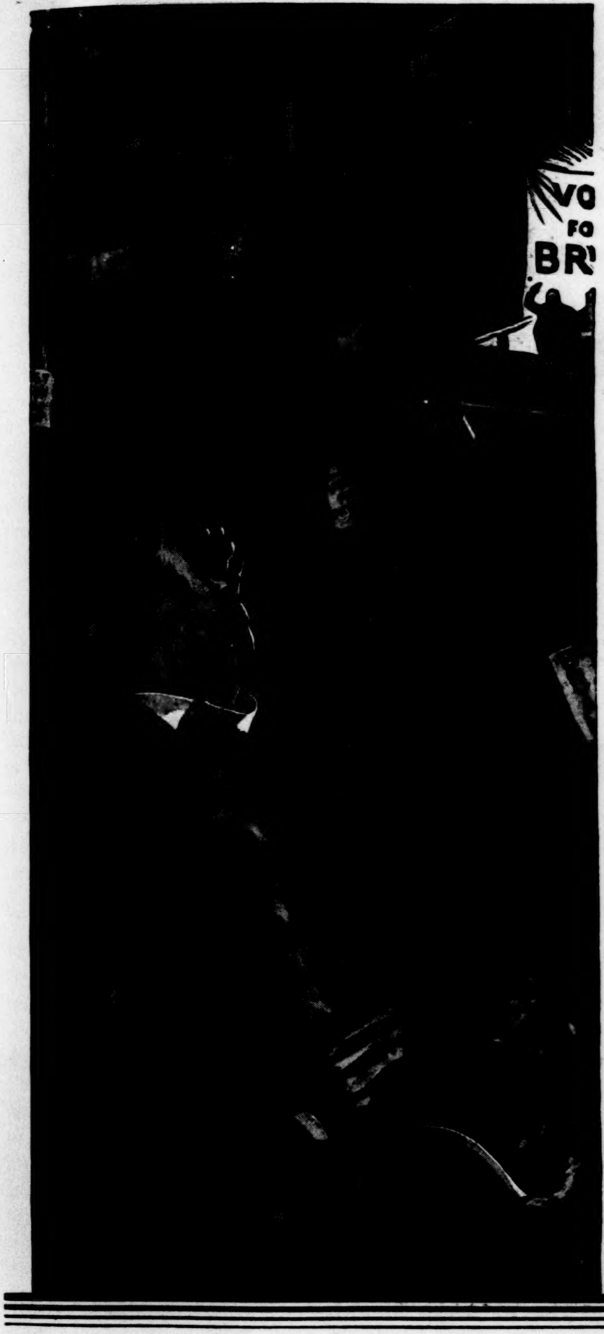
It is evident that Legge has given up hoping, if he ever did hope, for quick results, and expects the Farm Board to work no miracles. He, and the whole board, have become a bit fatalistic about farm prices, as a result of the surprising experiences of the past year. One feels, from his rather casual comments, that he isn't much interested in prices as such.

No one knows how long he will be willing to bear the burdens and endure the slings and arrows of his office, either to oblige a President or in the hope of serving the interests of American agriculture as he sees them. But no one can doubt that his experience as the head of the board has made him even more sincerely interested in serving those interests than ever before; and when he resigns it will not be because of those burdens or that criticism, but because he feels that he can serve them better in other ways.


Bonney

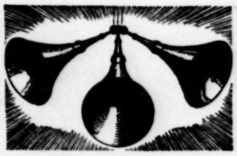
STANDARD OIL IN GERMANY

American gas and oil, German design are used in this filling station, one of a chain in Germany owned by Standard Oil. Notice the simple lines of the gilt on concrete signs and the "Esso" sculpture



"Louder... louder!"

--- a cry of the past



Straining forward to hear the speaker they were all ears and he was all lungs—but still they couldn't understand him. No wonder "louder please"—and remarks less courteous—were bywords at old time gatherings.

That was before Western Electric showed the world how to amplify and distribute the voice. Today the Western Electric Public Address System brings every word of the speaker to you, even in the last row of the balcony or on the far edge of the largest crowd outdoors.

And this, like most achievements in voice reproduction, was made possible only by this organization's long experience in making Bell telephones.

Western Electric

Makers of your Bell telephone and leaders in the development of sound transmission

For easy hearing, the Western Electric Public Address System makes every seat a front seat.

The difference need not be great—

to win a game or to win a sale!

MANY a big game is won by a single point. And it's the same in selling. Notice, for example, how often a single point of difference makes you choose one product in preference to another.

You need not change your product in order to get this edge on competition — often an improvement in packaging will do the trick. For, other things being anywhere near equal, the product that is *packaged* best *sells* best.

Modern wrapping methods can

1. Improve the appearance of a package —express quality and distinction.
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3. Create sales by displaying the goods themselves (transparent wrapping).

Many modern innovations in packaging have been made possible by our wrapping machines. Serving the majority of America's package goods manufacturers over a long period of years, we have developed a large line of machines for wrapping a wide variety of products in many different ways. When you seek improvements in packaging, lower costs, or a way to wrap a new product, bring your problem to the Package Machinery Company.

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Failures Affecting Bourse Sound Warning to France

By Special Cable to The Business Week

FAILURE this week of 2 medium-sized associated French financial houses precipitated a sharp break in the Paris stock market and roused business to the realization that France is due to share—perhaps in domestic terms only—in the general depression to which, until the last month, the country virtually has been merely a spectator.

Most-heeded warning of approaching storm weather was the failure of the prominent stock brokerage house—Banque Oustric—and immobilization of the associated Banque Adams, the combined collapse causing a sharp break on the Paris stock exchange. First aid by exchange authorities and French banks failed to restore quiet to the market. Like the warning which came to Wall Street, the collapse of stock prices seems to have punctured the bubble of prosperity. Even the most pessimistic anticipate that French depression will be much less acute than what Wall Street and other world financial centers have suffered.

The Banque Oustric was the creation of a clever promoter by the name of Oustric, who progressively acquired controlling interests in widely diversified undertakings including rayon, linoleum, automobiles, and footwear. In each venture he manipulated security inflation, and, in one case at least, is known to have caused values to increase 40 times. The recent failure of one venture and difficulties in others precipitated the fall of the remainder. Alarm, aroused when dealings of the bank were suspended, was aggravated almost at once by the announcement that the Oustric-controlled Banque Adams was obliged to suspend payments affecting $30 millions gross liabilities. Assets probably will equal liabilities, though momentarily 90% frozen.

Banque Adams is among the oldest commercial banks in France, was founded in 1784. Unwholesome postwar expansion is partly blamed for present difficulties. In 1911, it controlled only 9 branches. By 1922 it had expanded to 50, and when suspension came the total was 106.

Lyons reports the closing of the Credit du Rhone this week, following the announcement of the failure of Banque Adams. It was stated that the bank's assets would cover its obligations.

British Form Combine To Buy Russian Lumber

By Special Cable to The Business Week

LONDON has confirmed the rumor that its Central Softwood Buying Corp. has entered into a contract with Moscow which is tantamount to absolute control of Russian exports of lumber to England. What is revealed in the confirmation is that 70, rather than the previously reported 14, British lumber dealers are in the syndicate, and that they control nearly 80% of the buying power of British timber importers (*The Business Week*, Oct. 22).

Britons look at the new agreement as a triumph for organized trading. When the first contract between Central Softwood and Moscow expired in 1929, the Russians attempted to sell on the open market but ran into difficulties of their own making. According to the terms of the contract just signed, Russia agrees to reduce exports to Britain from 750,000 to 600,000 standards. The price of £11 10s. c.i.f. has not been confirmed.

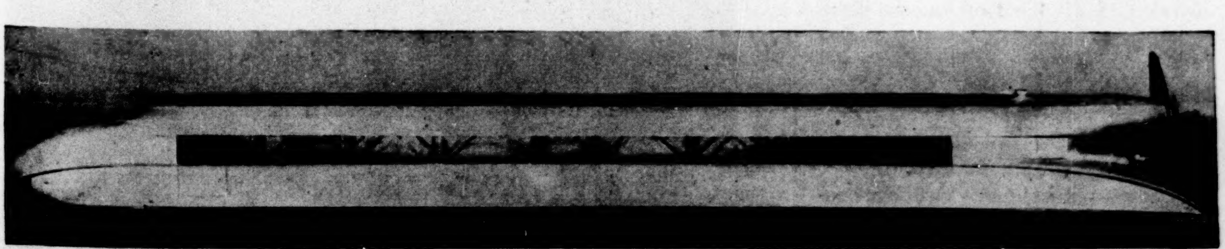
A second Russo-British contract will affect Swedish and American exporters of wood doors. The Merchants Trading Co., London, has contracted for the total 1931 output of 4 Russian door factories, of which 2 are equipped with modern American machinery. Output of these 4 factories is estimated to reach 500,000 next year, compared with this year's production of fewer than 100,000. In London it is claimed that Swedish producers will suffer most by this shift to Russia, but several American door manufacturers are known to have had a large market in London.

Europe's Sales to Russia Belie Prophecies of Collapse

By Special Cable to The Business Week

RUSSO-EUROPEAN trade figures, with possibly two exceptions, fail to check with Europe's protests against Russia's trade policies, with Europeon prophecies of the collapse of the Five-Year Plan. Outwardly, London anticipates the breakdown of the Plan; the Russo-British debt repudiation conference has reached an impasse. When the British pressed for payment of the Lena Goldfields award of $65 millions, Russia refused, demanded representation on a committee which would reconsider the case. Tories suggested withholding export credits to Russia; British overseas trade officials refused.

Up to Oct. 25, contracts for all



International News

ZEPPELIN-ON-WHEELS

Faster than trains, cheaper and safer than airplanes, this light, stream-lined railway car was developed by Franz Kruckenberg of the German State Railways to meet the new competition of bus and plane. The introduction of aerodynamics into railroading has resulted in a vehicle which carries 40 passengers at speeds upward of 100 miles an hour. So close is the thing to flying that its 400 horse-powered propeller is tilted slightly to keep it on the rails

British exports to Russia, under the government's export credit guarantee alone, totaled more than $23½ millions, on which the British government is liable to the extent of nearly $14 millions.

Germany is less outspoken than Britain in criticism of Soviet trade, but the undercurrent of the best informed business opinion in Berlin is highly skeptical of Moscow's ability to carry out the Plan and meet credit demands.

Reichstag Boosts Guarantees

Yet the Reichstag has voted to increase export credit guarantees on Russian purchases from 60% to 70%. Of this guarantee, the Reich is liable for 40%; the various states which receive the orders, for the other 30%. More than this, the normal duration of these credits has been extended from an average of 18 months to 24 months; in some individual cases, the guarantee now runs beyond 2 years. Soviet purchases in Germany for the fiscal year ending Oct. 1, through the Soviet trading delegation in Berlin, totaled $116,900,000.

Italian trade with Russia has been increasing since the Soviet delegation visited Rome last spring and made definite trade contracts (*The Business Week*, Oct. 8). Reports from Rome this week indicate that Italian and Russian engineers have made technical collaboration agreements for the production in Russia of Italian merchandise.

France Holds Aloof

France, and recently Belgium, have been less eager to do business with Russia. Despite the fact that France made the first drastic move against Soviet trade by placing Russian imports on a strict license basis (*The Business Week*, Oct. 15), Belgium is suffering the sternest reprisal from Moscow. Because of anti-dumping restrictions imposed by Brussels, Moscow has canceled an order for $2 millions worth of nickel which it had placed with a Belgium firm; has diverted 22 shiploads of Russian goods—largely grain—from Antwerp to Rotterdam, and engaged additional elevator space in the Dutch port. Rumor adds that Moscow is considering removal of its naphtha tanks from Ghent and its wool washeries from Antwerp.

A Soviet reprisal policy has bene definitely outlined by the Commissariat for Trade, to be adopted in respect to any countries interfering legally with the normal import of Soviet goods. Russian purchases will be stopped absolutely, or restricted to the limit; ships, port, and railroad facilities of the guilty country will not be used; and transit in Russia of goods from the offender will be restricted.

—

Europe is willing to talk Soviet collapse and anti-dumping regulations, but is seemingly no more willing than the United States to lose a chance to fill huge Soviet orders. World depression is no doubt helping the Russians. But success along the way with the all-important Gosplan has its good, as well as its bad, points in the eyes of foreign business. Successful completion of each oil development, or coal mining project, or textile mill, while it offers stiffer world competition where there seems already to be overproduction, at the same time makes Russian credit less risky because of greater ability to build foreign credit on Soviet exports. Some business men are looking at the problem from this angle, and are coming to think of Russia as a market with increasing potential buying power, rather than an unstable risk and a menace.

Food Machinery Next Big Item On the Russian Order List

American Firms Expect Heavy Share of $750-Million Purchases for Canning and Preserving Industries

Soviet purchases in the United States next year will undergo a change. New firms will profit. Tractors will no longer make up the bulk of an annual business exceeding $100 millions. Specialized machine tools, canning machinery, packing plant equipment, and refrigeration units will become major items in orders coming to the United States.

With the purchase in August of $40 millions of American industrial and agricultural equipment, a large part of which was tractors, the Amtorg practically completed large-scale tractor purchases in this country which exceeded $11 millions in 1928, $20 millions in 1929, $46 millions this year. Future purchases, except for parts, will be comparatively small, according to Amtorg officials. The Putilov tractor plant in Leningrad is being enlarged to turn out this year 25,000 units; in 1931-32,

Underwood & Underwood

Where Moscow Municipal Workers Play

Even the lowest Soviet worker has his club. In Moscow, the municipal workers have recently moved into these modern quarters equipped with movies, reading room, music rooms, and gymnasium

35,000 units. Stalingrad, where 400 Americans are helping Russia get on an industrial basis, assembled its first tractor in June, is scheduled to produce 30,000 tractors in 1930-31.

Not all parts of the Five-Year Plan are equally far along, though average progress is said to be far ahead of schedule. Russia asserts that rate of production this year will meet requirements specified in the plan for 1932-33, and volume output will be fulfilled in 4 years.

As far behind schedule as any one section is the machine-building program which, according to the Plan, should have accomplished 92.5% of final volume at the end of 2 years (Oct. 1, 1930), but which actually completed only 44.8%. This failure corroborates American criticism of Russia's inability to "go industrial" in 5 years. However, it does not upset Soviet plans completely. With credits on sales of coal, oil, and pig iron, production of which is described as already 2 years ahead of the rate prescribed in the Plan, officials are extending machine purchases abroad.

Giant Crimean Cannery

This accounts for the $750-million purchasing program for the development of food canning and preserving industries in 1930-31. Of this amount, nearly $200 millions will be spent on canning plant equipment. Because the bulk of the machinery for the giant cannery in the Crimea, with annual capacity of 90 million cans is being purchased in the United States and installed under the direction of American experts, American producers are hopeful of gaining a fair share of the business. The Food Machinery Corp. of San Francisco has already filled important orders. Besides the 13 canneries opened last year, 7 are now under construction and 120 old canneries are being remodeled. The sweet corn section of the Crimean plant turned out 12 million cans this fall. If the annual capacity is to reach the scheduled 5 billion cans by 1932-33 it is probable that the allotment of $50 millions for foreign technical aid and scientific research will be utilized to the fullest extent in the next 18 months. Other American companies which have already received orders from the Amtorg are Continental Can, New York, the York Ice Machinery Corp., York, Pa., and the Bliss Co., Brooklyn.

The meat packing industry is also due for special attention. During 1930-31, the 112 state-owned cattle breeding farms will be jumped to 150, and hog breeding stations from 240 to 450.

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While only 400,000 hogs are expected for slaughter this year, in 1931-32 the number is to reach 3 millions, and by 1932-33, 7 millions.

Already in Russia advising the government in the planning of packing plants, the Mechanical Manufacturing Co., of Chicago, is selling the Soviets its 41 years of experience in equipping some of the largest packing plants in the United States, Canada, South America, and Europe. Huge slaughtering plants are already under construction at Moscow, Bataisk (North Caucasus), Zaporozhie (Ukraine) and Semipalatinsk, with total daily capacity of 3500 cattle, 3400 sheep, and 7000 hogs.

Probably less far along, but definitely scheduled, are 7 margarine factories which are to supplement the single factory in Moscow opened last year and already producing at the rate of 40-60 tons a day. Of 8000 butter, condensed milk, and sheep cheese factories, only 250 have been modernized.

In part to bring the milling industry up to date, but also to meet the growing insistence of the people for better food, the mills of the country are to be mechanized according to the most modern methods this year. Of the 1500 large mills, two-thirds are already under state control. Investments in milling equipment next year will reach $50 millions.

Machine tool orders in the United States will be large—are almost certain to surpass the 1929-30 total of $17 millions (*The Business Week*, Oct. 29). Drawing the largest volume of equipment are the still-uncompleted Stalingrad tractor plant, the Putilov, Cheliabinsk, and Karkhov plants, and the Amo automobile plant in Moscow.

France Accumulates Ammunition To Shoot at Our Tariff Policy

Will Blame 37% Drop in Exports on Hawley-Smoot Rates, But Washington Finds Other Causes

DOMESTIC controversy did not come to an end with the passage of the Tariff Act. Sitting in Washington, the new Tariff Commission is hearing complaints from American business. In one week they have ranged from violent protests over the duty on straw hats to equally strong demands for a higher tariff on pig iron. And whatever the intervening weeks may bring, heated sessions are due in December when petroleum interests will present their arguments for protection on domestic oil.

What course European protests would follow has been uncertain until this week when *The Business Week's* representative in Paris was allowed to view the voluminous studies, now completed, by the special commission appointed by the French government. Worn and disgruntled, but determined to bring forcefully before Washington's tariff "court" the full injustice, in the eyes of the French, of the 1930 tariff, these French officials are sitting daily analyzing their survey, framing their arguments.

Accept Hoover's Offer

What they are attempting to do is to accept President Hoover's offer to foreign countries to remedy "unduly high duties, if justified, by application to the Tariff Commission" (*The Business Week*, Nov. 5). Their basis for argument is a survey of tabulated figures showing French exports to the United States during the first quarter following the passage of the Hawley-Smoot tariff. Around these figures, showing actual versus hitherto only theoretically anticipated effects of the tariff, they will shape French policy towards the United States.

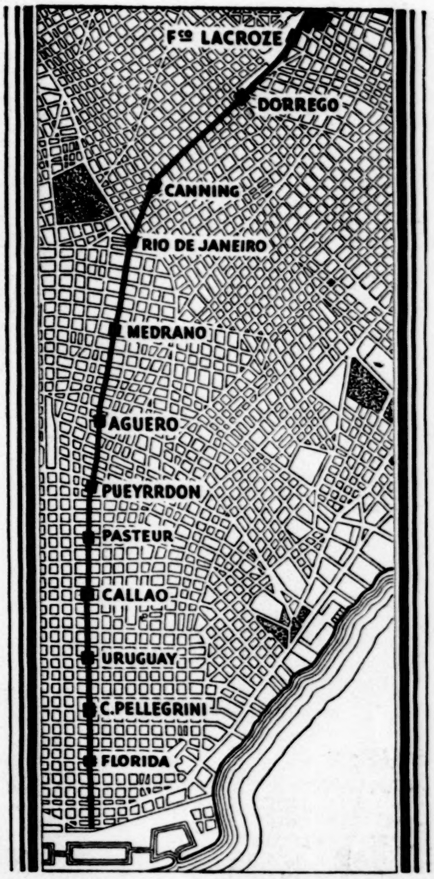
Despite the rather startling revelation that French exports to the United States during the third quarter fell off $18,756,000, or 37%, compared with the same period in 1929, conclusions would be less harrowing if the Washington commission and all the United States didn't realize so fully that France is gunning for concessions and therefore going to make the most of any decrease. It is probable that business depression, price depreciation, and a natural decline

The Business Week

TO REPRODUCE MOUNT VERNON IN PARIS

Left to right are E. R. Dibbs, Eastern manager for Sears, Roebuck; M. Mongendre, French Consul General; Gustave Meissner, of Sears, Roebuck, construction superintendent for the American Commission; Congressman Sol Bloom, of New York, whose resolution made possible a $250,000 appropriation for America's participation in the Paris Exposition; Joseph Coleman, superintendent of the Port Newark plant of Sears, Roebuck, whose forces turned out in ten days 110,000 feet of lumber

First modern subway
in South America
built in 21 months



Five-mile, double-track system at Buenos Aires built and financed by American companies

THE new Lacroze Subway at Buenos Aires—The first modern high-speed system in South America—was placed in operation October 18th by the Ferrocarril Terminal Central de Buenos Aires.

American bankers financed the project; American engineers designed, built and equipped it—complete and ready to operate.

Construction, involving both open cut and tunnel work, was completed in 21 months—a speed record for large undertakings anywhere. Three thousand men were employed, with 32 different languages represented—an indication of the administrative problem.

Through our organization in Buenos Aires and Rio de Janeiro we are prepared to execute engineering and construction assignments of any character in any part of South America.

Our services are equally available for work anywhere in this country, Canada and Europe—industrial plants, steam and hydro-electric power developments, transportation systems, monumental buildings.

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FOR industry also "youth is not a thing of supple knees," but the faculty of meeting the new order with new methods and new devices for better production—at a profit.

In your plant also, profit will be earned in proportion to its modernization in methods as well as machines.

It is a subject of huge importance which deserves examination. Perhaps we can assist you with facts out of successful experience.

J. E. SIRRINE & COMPANY
Engineers
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in orders following the heavy second quarter when shipments were rushed to New York to beat the enactment of new rates, will be minimized by the French. If Washington's judges are shrewd, they will take warning and prepare their arguments on this new basis.

Some Striking Declines

However, a breakdown of the value and volume of the 24 leading items which figure in the France-to-America trade reveals some striking declines which will make arguments for the French. On 17 items, losses exceed 20%. Of these, 10 actually were down 50%. Only 3 items registered minor gains.

Wool and waste exports suffered the greatest decline in value—90%; and with tools and metal products the greatest volume loss—88% each. Textile exports declined $2,886,000. Millinery, iron and steel, and paper and cardboard registered gains.

Switzerland, too, is preparing to fight the tariff. Despite their reputation for time-consciousness, Americans have cut their purchases of Swiss watches by $1,764,000, or 82%. In volume, the loss to the Swiss is 90%. Next most significant loss is straw manufactures, which declined $436,000, or 73%. Silk and rayon also suffered, along with cheese. Italian figures, representing the third European country most severly hit by the tariff, are not yet compiled, though straw hat manufacturers are already protesting that the 1930 tariff rates practically embargo their product.

Depression a Cause

Unbiased critics see arguments on both sides in any analysis of the figures, but despite the imposing losses which look particularly awesome in tabulated form, they are inclined to weigh the effects of depression and price depreciation. These factors, in spite of abnormally heavy May shipments, caused second quarter exports to the United States (before the tariff was enacted) to fall 17% below last year. Also, French purchases from the United States during the second and third quarters dropped 13% and 15% respectively from last year's totals.

The whole significance for the business man at the present time is the warning that France is preparing to fire within a few weeks the first gun in a new trade battle. Here is the ammunition. Other countries are hoarding the same ammunition, are preparing to fight too. A tariff battle of a new sort is in the offing.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

NOVEMBER opened with an incipient but recognizable improvement in basic conditions, notably a stiffening of raw materials prices. The extreme pessimism and political uncertainties which characterized October have been allayed and, for the moment, are no longer a seriously influential factor. Conditions and sentiment vary considerably, however, from country to country.

The best business news comes from England where merchandising is brisk and several branches of industry report a distinct pickup, notably the long depressed textile industry. Financial markets are obviously squaring away for a major war loan conversion operation which is expected to prove a stimulus.

In France, hitherto prosperous, the failure of two medium-sized associated banks precipitated a sharp break in the stock market. The break probably will prove only the beginning of a longer decline. Present French conditions are directly analogous, though to a less degree, to those in the United States a year ago when the realization abruptly became nation-wide that the prosperity boom had ended. Indications now point to protracted, though probably shallow, business recession attended by the painful process of liquidation of inflated internal levels of values both on commodities and securities.

Germany still is in the process of reconsolidation of disturbed conditions left over from the elections, and is faced with the immediate problem of how to reconcile agricultural relief, whose costs inevitably are increasing living costs, with a program for coordinated reduction of industrial wages and prices. As far as Germany is concerned, the depression seems not to have reached its local nadir and recovery probably will begin later than elsewhere.

Business in Italy is marking time but is confident. Spain is expected to proceed rapidly and easily towards stabilization of the peseta, probably without recourse to a foreign loan.

Central European countries are expected to show little change from present low levels, but they will profit in any general spring revival. The eastern agrarian countries are saturated with unprofitable crops. Improvement here will be slow and laborious unless world price levels recover.

Taking conditions as a whole, the expectation prevails that winter will mark the final phase of liquidation of the deflation cycle, attended probably, by a greater number, and possibly including several serious bankruptcies; greater than usual seasonal strains; higher unemployment, accentuated by fiscal difficulties in many countries; and by waves of recurrent pessimism. On the other hand, it is expected that basic conditions will persistently, if irregularly, continue the improvement which is already felt. No great spring revival is looked for, but steady improvement through next summer is likely to be followed by a marked fall advance.

British Business Sees Signs of Improvement

LONDON (*By Cable*)—The Federation of British Industries sums up the British business outlook aptly: "Forces responsible for the world collapse of prices appear to be almost spent; we may be said to have touched the bottom of the trough of depression. This does not mean immediate recovery or that there will be no further drops in individual groups or individual prices, but forces making for recovery should now slowly assert themselves. Nothing can prevent this winter from being a period of difficulty, but improvement is almost certain in the spring." One important government economist tells *The Business Week* that "on most favorable computation, sustained improvement of commodity prices cannot come before spring and the result of such improvement will have no effect on unemployment before next autumn."

Despite this gloomy view by experts, the general business tone continues brighter with actual improvement in cotton, manufactured goods and wool, and with no setback in leather, jute, or hides. Coal shows no improvement but the new marketing scheme and proposed mergers arising from it have promise. Plans are now being made for merging all Lancashire and Cheshire coalfields under one control with capitalization of $100 millions. More than 100,000 workers will be employed and output will reach 20 million tons. This is the second important merger in the coal industry, the first having been completed last May when 6 coal, iron and steel companies, comprising the Pearson & Knowles and the Wigan Coal & Iron Co., came under one management in a $40 million merger.

Employers in the textile mills have approved the new wage list for an 8-loom system (*The Business Week*, April 2). The development grows out of an experiment started by 10 cotton manufacturing firms on April 1, which

Pacific & Atlantic

AMERICAN CONTRACT STARTS SIBERIAN STEEL INDUSTRY

More than 7000 workers are rushing to completion the steel mill being erected for the Soviets in the Kuznets basin, southern Siberia, by The Freyn Engineering Co., of Chicago. The mill will have an annual output of 1 million tons, is scheduled for completion in the fall of 1931. With a town for 30,000 workers and a regional power plant, the project will cost $150,000,000

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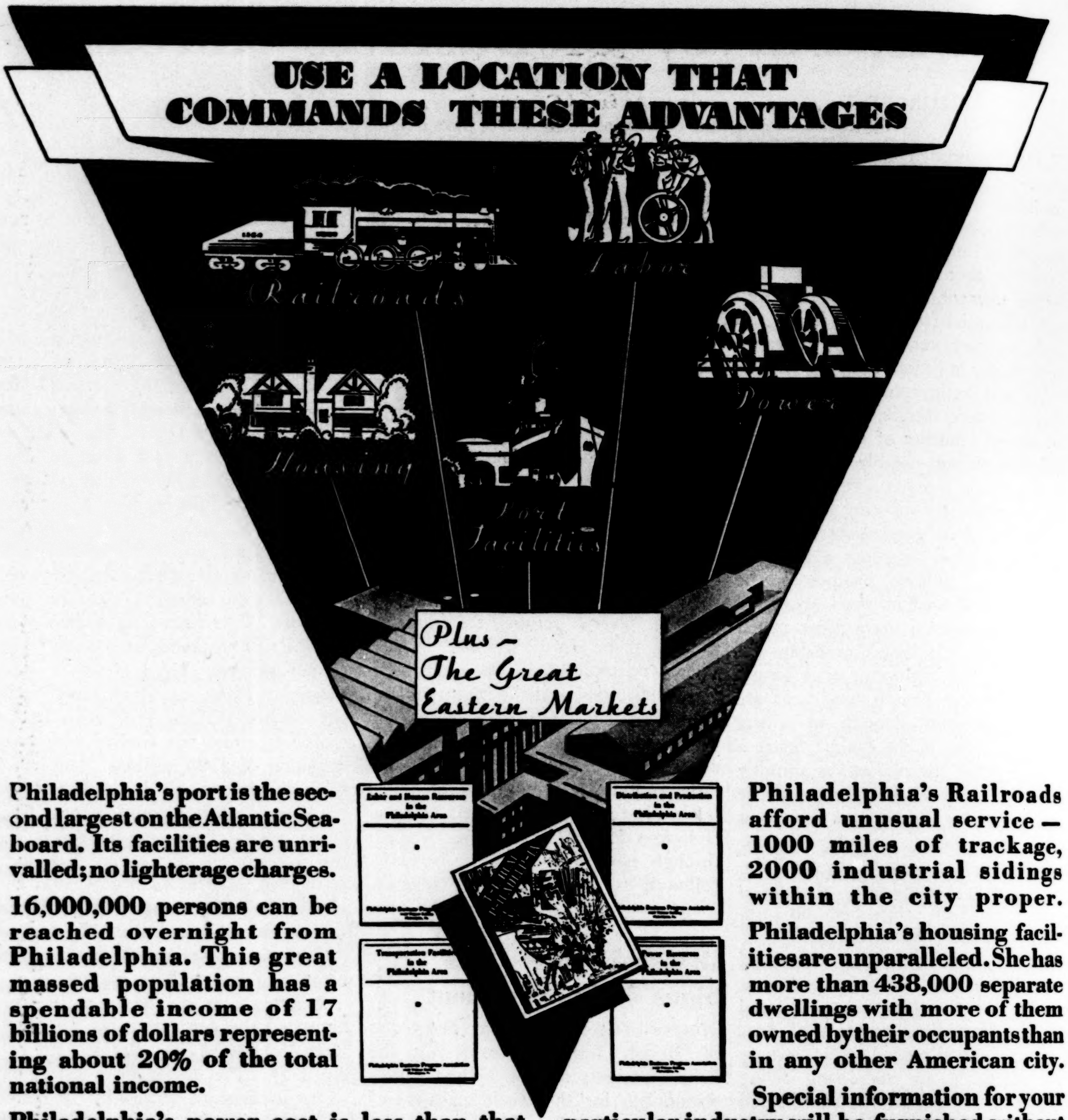
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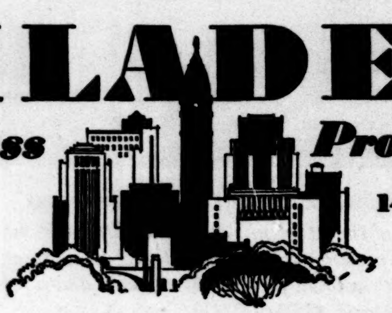
Address Department S using your own letterhead.

PHILADELPHIA

Business Progress Association



1442 Widener Building, Philadelphia

The Business Week

Inspect American Steel Mills

Geoffrey Summers (left) and Spencer Summers, directors of John Summers & Sons Co., of Shotton, England, largest sheet steel producers in Great Britain, visit their American associates, American Rolling Mill Co.

was the expiration date for previous labor agreements. According to the plan, 4% of their looms were placed on a basis of 8 looms to a weaver rather than the traditional 4 to a weaver. Employers are convinced that the plan will be economical and that it will be profitable for the laborer. Unions are afraid of it, see only more men thrown out of work rather than any recovery of markets through keener competitive ability.

The King's speech at the opening of parliament disappointed business men. Ramsay MacDonald is held to have failed to display the determination or the invention to face squarely the national emergency and has shown no signs of rigid economy. The bankrupt unemployment insurance fund is to be slept on by a royal commission, and in the meantime $100 millions will be borrowed—while unemployment still increases. The program is overloaded by contentious sectional legislation carrying the threat of further burdens on industry, such as the Factories Bill. Meanwhile, the Tories have affirmed their confidence in Stanley Baldwin by a large majority at their party meeting. More significant, they were nearly unanimous in their approval of his policy of a tariff on manufactured goods, wheat purchases on a strict quota basis, and freedom to negotiate preferences even if food taxes are involved.

No election is now expected before the end of the Imperial and Indian conferences but business looks for adoption of tariffs when the next government is returned.

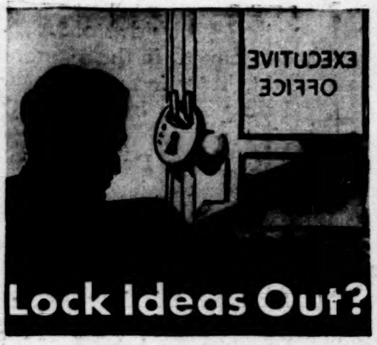
Delay in Seasonal Upturn Disturbs German Trade

Berlin *(By Cable)*—Liberated from the disturbing influence of politics and the metal strike, business for the first time in many months is returning to relatively normal routine. The horizon is still clouded, however, by conditions which are marked by an almost complete absence of the customary seasonal revival in certain trades, and the aftermath of recent political excitement in the shape of a stiffened money market. This stands out in striking contrast to continuing easiness on most European markets. Acceptance by a 10 to 3 majority of employees of the provisional settlement of the metal strike, including an agreement for unconditional submission to the forthcoming new award, gives foundation for hopes that no further grave labor trouble is expected.

All week the interest of investors at large has focused on the forthcoming dividend declarations of a number of Germany's most representative companies. Big banks are expected to cut dividends, which have practically stabilized in the last few years at 10% to 12%, at least 1% or 2%. Among the electric companies, rumors persist that dividends are coming down. Siemens is prominently mentioned. Kloeckner, big machine builder, led the way by declaring a 6% dividend instead of the 7% which stockholders have come to expect. In the company's annual report, heavy increases in taxes and social charges are blamed. Stockholders of the Eisen & Stahlwerk Hoesch A. G., large Dortmund steel concern, anticipate a dividend reduction from 7% to 6%. These facts lend weight to ubiquitous rumors, with the result that the stock exchange is depressed and gains which might normally be expected after the removal of political difficulties are being nullified.

The nation-wide drive to reduce prices, to which the coal price cut gave new impetus, is gathering momentum. The aluminum rolling mills, after stubborn resistance, have agreed to pass on to the consumer the greater part of recent raw materials prices. Rheinische Westfaelische Elektricitaetswerke, large electric power company in Western Germany, has announced a reduction in its price schedule for electric current effective Dec. 1. Other power companies are expected to follow, though the precarious condition of communal finances of many municipally-owned companies limit the ability of these companies to make very large cuts.

Notwithstanding the recent emphatic protest by the National Association of Manufacturers against the demoralizing government policy of subsidizing individual enterprises, and despite the fact the government is forced to discontinue certain subsidies due to a lack of funds, new subvention schemes continue to crop up. This week Deschimag, Bremen's leading shipbuilding company, applied to the government for a subsidy of $25 millions in the form of a 5-year credit, the Reich to bear the entire interest charge for the first 2 years and to contribute 3% interest in the subsequent 3 years. With this credit, Deschimag proposes to acquire and break up obsolete tonnage and stimulate orders for new ships. Since the merger of the Lloyd and Hapag companies, their rationalization program has freed a large number of ships, formerly in competing services, for new and expanding lines. This has resulted in a sharp decline in building orders which is hitting hard at Bremen and Hamburg shipbuilders. So far, foreign orders, including tank ships for Standard Oil, are failing to fill the gap. Despite acknowledged distress, other shipyards refuse to join Deschimag in this move. Hamburg shippers have actually raised a protest against new shipbuilding subsidies because they tend to dislocate natural competition. Chances for ma-



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terialization of Deschimag plans are remote in view of the present condition of the federal finances.

Major oil interests, including Standard and Shell, have agreed to take over from the stock-glutted alcohol monopoly some 500,000 to 600,000 hectoliters of alcohol for admixture with gasoline. The deal is still conditional, the oil companies demanding a majority interest in Reichskraftsprit G.m.b.H., which was formed by monopoly order to push the sales of monopolin autofuel which contains from 20% to 35% alcohol. Reichskraftsprit developed remarkable activity in recent years, went so far as to operate its own monopolin filling stations, which oil companies have viewed with increasing jealousy.

Depression in France Following Market Break

Paris (*By Cable*)—Failure of the prominent stock brokerage house—Banque Oustric—and immobilization of the associated Banque Adams, precipitated a sharp break on the Paris exchange this week. Notwithstanding prompt intervention by stock exchange authorities and the organization of a rescue squad by several leading Paris banks, the episode was distinctly unsettling.

Business France finally shows signs of becoming vaguely aware, without grasping the reality of the situation, that the 2-year prosperity boom is coming to an end. Popular realization seems suddenly to have awakened to the fact that France is due to share, perhaps in domestic terms only, in the general depression on which the country has looked with little sympathy. Anything approaching a sudden crisis is not anticipated, but the sharp nervous contraction of French business in the last 3 weeks, and the general contraction of credit—notwithstanding idle facilities—are destined to continue, along with steady stock market declines.

Political alliances to the contrary, France is not eager to unblock capital in loans to Poland, Roumania, and Jugoslavia, though it is generally admitted that the visit to the Balkans and Eastern Europe of the Minister of Commerce is likely to lead to such a move. French bankers are unenthusiastic over the security of these countries and would prefer, from the financial point of view, to lend to Italy who must soon mobilize new financing to meet the maturity next year on several hundred million dollars of treasury bonds. Under existing Franco-Italian political relations, however, a loan seems impossible.

Meanwhile it has been disclosed in government circles that the French railways are facing an operating deficit of at least $60 millions for the current year, which may logically reach $125 millions next year. In the past, the net profits of the successful systems have been pooled to meet the losses on unprofitable lines, the government guaranteeing to cover any remaining deficit. Since 1926 it has not been necessary to fall back on this government guarantee. The present deficit is basically the consequence of rail rates' having remained below the prewar gold value. More immediate cause was last year's increase in wage scales, to which social insurance charges can now be added. No increase in rail rates is expected, but rail taxes will have to be reduced or the deficit be funded by the government. In either case it will add another expense to an already overloaded budget.

Italian Market Brighter; Unemployment Worse

Milan (*By Cable*)—With most important issues showing gains since Oct. 1, the stock market reflects some slight business optimism. Unemployment, however, at the end of September registered 394,630, which is an increase of 19,082 over the August total. The situation would be worse except for the government's efforts to keep men busy on the public works program. In addition to the 162,300 workmen employed on public construction at the end of September, the government has completed new plans for extension of this program and has voted $11 millions for the work.

Wholesale commodity prices are down. The closing October index, when compared with the index for the second week in September, showed a drop in the general average for wholesale commodities of 14.89 points. Vegetable food products registered the greatest reduction, 26.91, followed closely by textile materials which dropped 22.75. Sole increase was animal food products which jumped 1.34 points.

An international syndicate headed by the Banca Commerciale will give Italgas the necessary credits for immediate needs and for long contemplated financial and industrial reorganization. During the first semester of this year, production of electric power in Italy registered 852,000,000 kw. against 824,000,000 kw. in 1929.

Latin American Trade Shows More Confidence

A WEEK of federal reorganization in Brazil, unmarred by any sort of outbreak antagonistic to the provisional régime of Dr. Getulio Vargas, has revived public confidence. When the new cabinet was named, American bankers were cheered. The finance portfolio, destined to be one of the most important in the immediate future, goes to José Maria Whitaker, a banker of long experience and a man with no political entanglements.

Confidence in the outcome in Rio de Janeiro is spreading. Most business houses are going ahead with consignments to Brazil, though not without acknowledging a certain risk still exists. No authority seems yet to be convinced that Sao Paulo will accept the present régime indefinitely without a struggle. Meanwhile, Dr. Vargas may be able to steer Brazil into a period of greater economic stability than that of recent years. It is entirely logical to expect that the ineffective coffee valorization plan will be revamped, agricultural diversification pushed to the limit.

Chilean dullness is reflecting on the public works program, a part of the contracts for which is in the hands of American engineers. Economy moves by the government include the curtailment of all public building which can be delayed without damaging results. Major road and irrigation projects, as being most directly beneficial to the country, are being continued to avoid unemployment. At present there is no acute distress among the farmers, and unemployment is at a minimum except in the north. Strict curtailment of bank credit has been reflected in the increasing number of protested drafts this year when compared with last. Business men in Santiago and Valparaiso look for a continued slowing down of business but anticipate no acute distress.

Reports from Bogota that the Colombian government has retained George Rubble, New York attorney, as an adviser on prospective oil legislation, is stimulating interest in Dr. Olaya's efforts to bring order out of the chaos of present Colombian oil laws.

Washington has announced the appointment of a North American Agricultural Mission to Argentina, Chile, Brazil, and Uruguay. Headquarters will be in Buenos Aires. The purpose is to furnish pertinent trade information to farmers and exporters of North America for gradual and systematic expansion of foreign markets.

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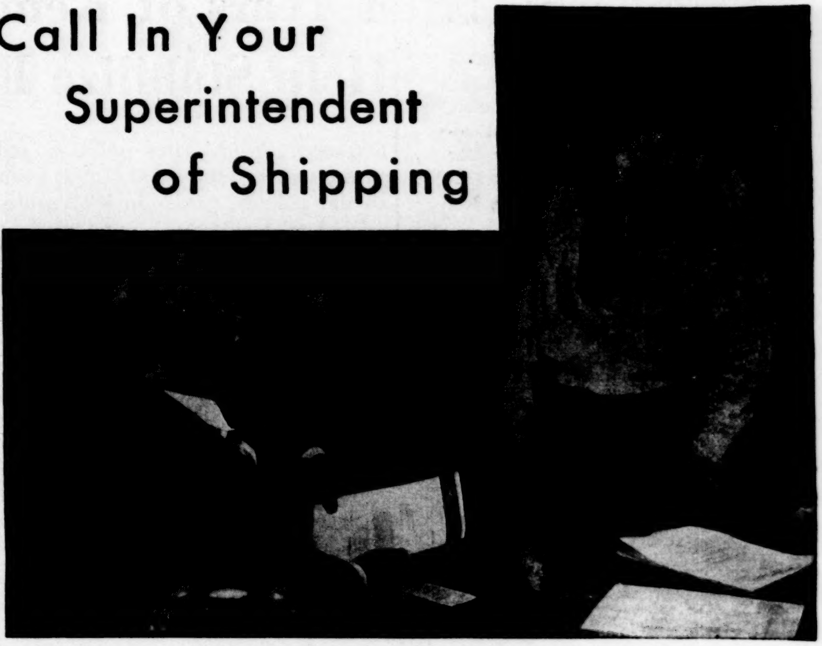

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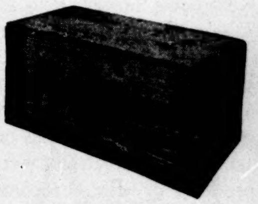

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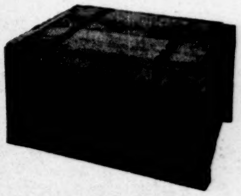

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4 Years of Kemmerer Rules Help Stabilize Ecuador

Ecuador, torrid source of cacao and guano, surprised the world Oct. 1, when all the political parties in the country refused to consider the resignation of the President, unanimously implored him to remain in office.

Recently when Colombia voiced a criticism of the accomplishments of the Kemmerer commission and of Dr. Kemmerer's recommendations for improvement of the financial system, Guayaquil bankers grasped the occasion to review the working of the Kemmerer recommendations in Ecuador. Reports from that country are confirmed by Victor E. Estrada, general manager of La Previsora National Bank of Credit, at Guayaquil, now visiting New York.

When the Kemmerer commission went to Ecuador 4 years ago, the country was attempting to bring to an end a period of non-convertible money which had been caused by the War. The Banco Central del Ecuador was made the foundation for the reform. As a result of the laws adopted at the recommendation of Dr. Kemmerer, gold reserves, not only against bank notes but also against deposits, are required. Aug. 30, 1930, the Banco Central showed reserves against deposits and bank notes of 78½%. For bank notes alone, the coverage of gold was 126%.

Balancing the Budget

Public finance, always an issue in political life in the country, has shown remarkable stability under the Kemmerer schedule. In 1924, to prepare the way for the Kemmerer survey, Ecuador made an ambitious effort to balance the budget. The American commission reorganized the customs and put them temporarily under the control of a North American expert. Fiscal monopolies on alcohol, tobacco, salt, and matches were made more productive; direct income taxes added to the revenue-producing group. Strict adherence to the rules laid down by the commission made it possible for hard-working Treasury officials to balance the budget in 1927. Sole disadvantage which native bankers see in the present set-up is the mounting volume of excess receipts in the Banco Central which, because of the ability of other banking institutions in the country to supply the borrowing needs of business, is unable to employ them profitably. In 1925, the government had kept as cash reserves only 2% of the total circulation of paper currency. This year there is on deposit in the Banco Central 35% of the actual amount of bank notes in circulation.

Ecuador is small. Only a small part of the country is productive. The population includes a large proportion of native Indians. Until a few years ago, cacao was the sole product for export in any appreciable volume. With the finances of the country put on a stable basis, foreign business is showing interest in local developments.

Europe Plans Network of Superpower Lines

Development plans for a European network of superpower lines have been released by the American Committee of the World Power Conference following promotional discussion of this trend at the recent meeting in Berlin. Completion of the plan would mean the building of 5 trunk lines at an expense of $500 millions, not counting the cost of generating stations. No one suggests that all this work be taken on at one bite. It is a long-time program. What the committee has done is to outline for Europe a plan of orderly growth just as others did for the United States some years ago. And just as America has extended its power system year by year with gaps yet to fill, it is expected that Europe will do likewise.

In fact part of the system already is in operation. Swiss power feeds into Italy, France, and Germany. Swedish power goes by submarine cable to Denmark. The idea is to tie in the hydropower resources in the mountains of Europe with steam plants in the coal regions or near major cities. This eventually would link the hydro resources of Norway, Sweden, the Alps, the Pyrenees, the Rhone River, with steam power made from cheap coal at Calais, Silesia, and Coblenz or from fuel oil at the various petroleum fields. Three north-south lines and two east-west high tension lines totaling 6,000 miles are contemplated at 400,000 volts or double the American line voltage. Although political boundaries stand in the way, the committee thinks these obstacles are surmountable.

Wide Reading

Selling What the Consumer Wants. Ben Nash. *Printers' Ink Monthly,* November. Designs, product changes, sales policies—shifted to fit new trends and a new tempo.

Wheat Prices and Wheat Pools. James E. Boyle. *Nation,* Nov. 5. The Canadian wheat pool in the balance—and other cooperative movements.

Gold. E. M. H. Lloyd. *New Republic,* Nov. 5. A member of the British Empire Marketing Board defends the belief that fluctuations in the price of gold are the dominating factor in causing the present world-wide depression.

Prosperity Through Home Building. John Pell. *North American Review,* November. Eliminate the exorbitant costs of financing, and more people will own their homes. New plans. Pioneering companies.

Mass Credit. Evans Clark. *Survey Graphic,* November. Economists have ignored the field of mass credit. Herein the issue that all agencies of mass finance should be put on a semi-public utility basis.

Danger at the A. O. Smith Corporation. *Fortune,* November. Story of a plant built to run without men—supreme example of the automatic function.

Are Wages Going Down? Alfred L. Bernheim. *Nation,* Nov. 5. Companies which have cut wages, and the numbers of workers affected in recent months, indicate growing sentiment toward wage reductions throughout industry.

How We're Merchandising the Depression. Hubert T. Parson. *Chain Store Age,* November. Experiences in Woolworth's chain.

Caught in the Reparations Bog. *Magazine of Wall Street,* Nov. 1. The threat of repudiation of the German reparations debt may revive a proposal for cancellation of Allied debts. Through reparation bonds and other loans, America is inextricably involved in the European complex.

The Menace from the Direction of Urga. George B. Rea. *Far Eastern Review* (Shanghai), September. "The Altai region is the richest mineral region in the world. Russia is developing it. China is losing economic control."

BOOKS

Moving Forward. Henry Ford. Doubleday, Doran, 310 pp., $2.50. Mr. Ford's conception of the function of wages and of leisure, the cause of unemployment, the place and function of management—the way to real wealth.

Progress and Plenty. William T. Foster and Waddill Catchings. Houghton Mifflin, 214 pp., $2. Two-minute talks on the economics of prosperity.

The United Kingdom. Hugh Butler. Department of Commerce, Washington, 953 pp., $1.75. Statistics on industry and commerce in the British Isles; maps, charts, and tables, and a comprehensive bibliography.

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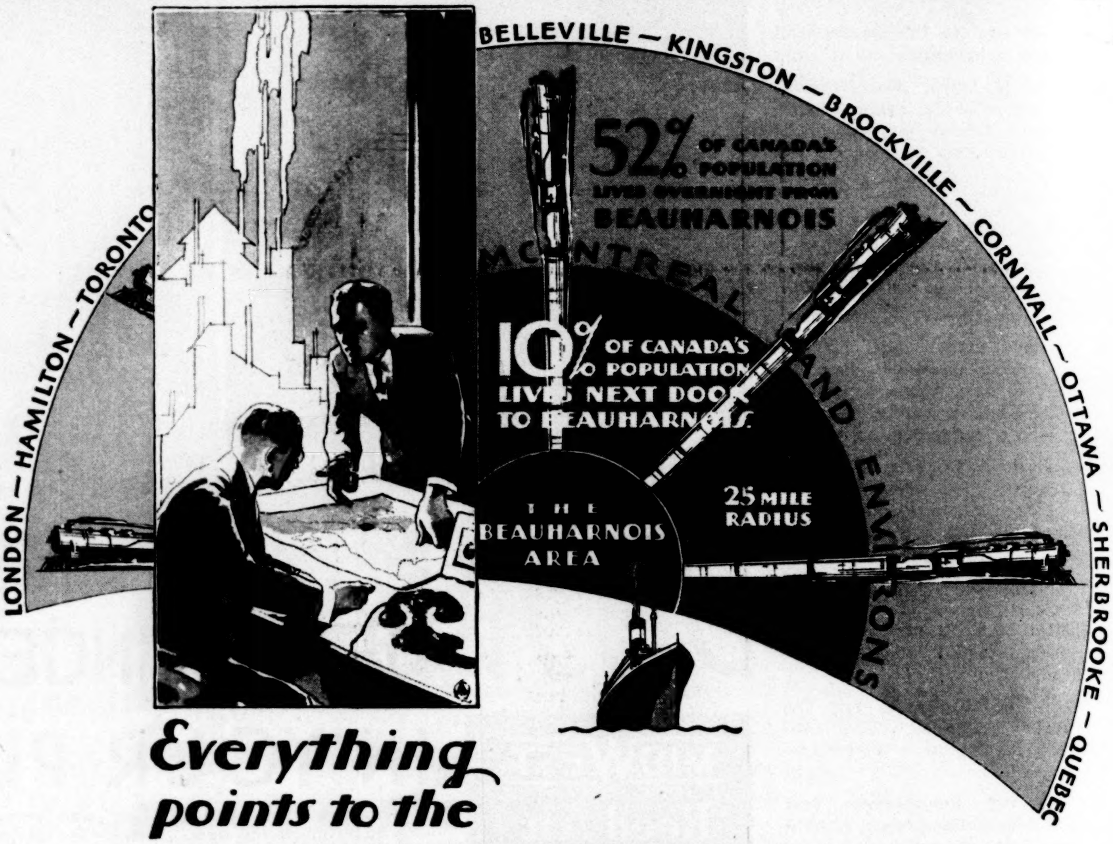
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What the Figures Show

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
OF GENERAL ACTIVITY	*81.5	†83.4	105.2
Production			
Steel Mill Operation (% capacity)	47	50	78
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$12,688	$13,770	$16,868
Bituminous Coal (daily average, 1,000 tons)	*1,740	†1,538	1,938
Petroleum (daily average, 1,000 bbls.)	2,363	2,378	2,819
Total Electric Power (millions K. W. H.)	*1,890	*1,885	1,960
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	160	155	189
Check Payments (outside N. Y. City, millions)	$4,730	$5,543	$7,950
Money in Circulation (daily average, millions)	$4,467	$4,482	$4,821
Wheat Receipts (1,000 bushels)	4,690	5,810	8,720
Cotton Receipts (1,000 bales)	659	766	886
Cattle Receipts (1,000 head)	*269	†266	263
Hog Receipts (1,000 head)	*547	†492	535
Wool Receipts (1,000 lb.)	2,006	3,500	4,883
***Prices** (**Average for the Week**)*			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.74	$0.76	$1.19
Cotton (middling, New York, lb.)	$0.113	$0.107	$0.182
Iron and Steel (composite, ton)	$31.98	$32.06	$36.09
Copper (electrolytic, lb.)	$0.093	$0.093	$0.178
All Commodities (Fisher's Index, 1926-100)	82.4	82.7	93.7
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,764	$16,716	$18,934
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,707	$8,573	$9,755
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,454	$2,512	$4,882
Federal Reserve System Ratio	81.8	82.4	69.8
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	10,665	13,893	43,500
Stock Prices (N. Y. Times, average 50 stocks)	$166.31	$166.13	$217.83
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$46,348	$55,876	$80,388
Bond Prices (Dow, Jones, average 40 bonds)	$95.99	$96.02	$93.01
Interest Rates—Call Loans (daily average)	2.0%	2.0%	5.8%
Interest Rates—Time Loans (daily average)	2½–2¾%	2½–2¾%	6%
Business Failures (Dun, number)	502	491	414

*Preliminary †Revised

THAT business activity should continue to seek new low levels at this season is both unexpected and unwarranted. Yet the major indicators of general conditions offer little encouragement to the optimism that had gained ground after a dull summer. Steel production has moved below the 50% capacity level. Commodity and stock market prices persist in weakening. Commercial failures mount. On the other hand, construction, particularly residential, has been substantial; coal production has risen sharply; and car loadings, due to belated coal shipments, have not begun the rapid downward trend of the season. Retail trade has expanded under the influence of cooler weather.

Index at New Low

As October closes, *The Business Week's* preliminary index of general activity has reached a new low of 81.5% of normal compared with the revised figure of 83.4% the preceding week and 105.2% a year ago, when the stock market upheaval inflated the figures on check payments. Both the trade and production series of the composite index turned downward, as only the minor items of bituminous coal production and commercial loans moved in opposition to the general trend.

The steel industry now operates at approximately 47% of capacity, according to Dow, Jones, continuing the persistent downward trend begun in February. Our adjusted index now stands at 64.2% of normal against 68.1% the preceding week. If tonnage figures for October as compiled by the American Iron & Steel Institute confirm the preliminary weekly estimates, the month will show activity of about 52% of capacity against 55% in September. The report of pig iron production for October reveals continued curtailment with daily tonnage running 8% below September, according to *Iron Age*. Not since 1921 has the month of October shown such a low level of output.

The declining tendency of steel operations continues to reflect the sluggishness of railroad buying and the petering out of tin plate and pipe line contracts. The roads point to the lessened traffic and income as deterrents to the placement of track and equipment orders.

For the nine months of 1930, the roads have ordered 33,137 freight cars and 330 locomotives against 66,190 and 672 respectively for the same period of 1929. Easier methods of financing are being discussed to stimulate equipment purchases. Fabricated structural steel projects totaling 104,000 tons were reported this week, the largest since June, while awards totaled 32,000 tons against 40,000 the preceding week.

Building Contracts

The last days of October brought forth a smaller total of building contracts in the 37 states covered by the F. W. Dodge Corp. than the preceding weeks, so that our adjusted index of construction declined to 66.9% of normal compared with 72% the previous week. But the substantial volume of contracts let earlier in the month will bring the month's total slightly above the September figure of $331,863,500, though still more than a third below the five-year average for the month.

It will be the strength of residential, public works, and utility construction that will lift the October volume above that of the preceding month. In the metropolitan New York district, October contracts totaled $80,053,300 against $81,572,900 in September and $80,408,200 a year ago. Residential contracts accounted for 57% of the month's total and were above those of both September and October, 1929.

For the first time since February, the output of bituminous coal has passed the 10 million tons a week mark, rising over 1 million tons in a week, or 13%, probably due to a sudden rush of deferred consumer demand occasioned by cold weather, particularly in the West. Our adjusted index based on the daily average output rose sharply to 78.6% of capacity compared with 69.7% for the preceding week.

Electric power production showed so slight an increase for the week that the adjusted index which allows for seasonal increases at this period and the usual year to year growth turned downward to 94.8% of normal against 95.4% the week previous.

Car Loadings Up a Bit

The increase in car loadings over the two preceding weeks was due principally to the shipments of coal. Though the less-than-carlot group increased 1,823 cars over the preceding week, a drop of 9,808 in the miscellaneous classification has caused a decline in our adjusted index based on these two groups from 80.3% of normal to 80%. Though the comparison between the late week and a year ago shows some narrowing of the difference, this is due to the sharp declines of loadings last year and is not likely to be maintained when the seasonal downward trend occurs in the next two months.

Bank debits have declined some 15% since the preceding week, a bi-monthly fluctuation characteristic of this series. Our adjusted index for the latest week based on 140 cities outside New York declined from 89.1% of normal to 87.5%. In the 131 cities outside of the ten financial districts, the week's decline was fractionally higher than in the groups including these districts.

The volume of money in circulation has shown practically the same weekly fluctuations characteristic of this series in the past three years, though at a considerably lower level. With the exception of the months of August and December when demands for cash are rising rapidly, the last week of each month finds less money in circulation than the first weeks. Our adjusted index based on these figures shows a decline to 98.8% of normal against 99.2% the preceding week.

Commodity Prices

The commodity price situation is still unfavorable in many lines. The weakness in steel operations has been traced in part to the lack of stability in scrap prices and in part to competitive price cutting among steel producers. The oil industry continues to wage war by price cutting. Wheat prices are off on the basis of uncertainty of production in Australia and Argentina. December wheat reached within 1¼¢ of the 1906 bottom and within 2¼¢ of the low of 1905. May and July corn sold at new season lows, but the presssure has been less than on wheat. Cotton prices are also off from the recent highs. Corn crop estimates for November vary little from October figures; only completion of the husking can determine their accuracy.

Copper has remained steady at 9½¢ Connecticut delivery with indisposition of producers to sell to speculative buyers. September production statistics indicate that while the United States and South America have cut production since early in 1929, Canada and Africa have increased their output. Meanwhile consumption of copper by major industries in the United States during the third quarter has declined 31% compared with 1929.

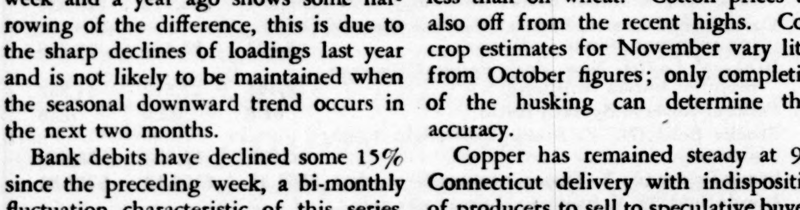
The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

The composite weekly indexes of Fisher and The National Fertilizer Association have resumed their downward trend.

Bank Credits

The expansion of bank credit this week was due to increases of both commercial loans and security investments. The largest share of the increase in the former occurred in the New York district, and is probably an indication of readjustments in collateral loan accounts rather than of expanding commercial demand for funds. The total now stands at a level higher than any month since March. Our adjusted index of this series rose from 102.6% of normal 103.5%.

Both Bradstreet and Dun report failures for the month of October substantially above the preceding month and a year ago, with liabilities also among the largest of the year. According to Dun, 80 defaults of unusual size contributed to the poor showing of October and raised the liabilities per failure to the second highest of the year. October normally shows a substantial rise in the number of failures and this year the increase was but 8% against a range of 13% to 24% in recent years, but the liabilities rose 20% against a range of 3% to 10%.



Money and the Market

The decline in stocks was resumed this week after last week's hesitation, registering new lows for the year in many of the market leaders as well as among the less popular issues. The week provided no news that could be classed as decisively encouraging, leaving in full play the depressing factors which brought about the present decline. In addition, the elections provided another downward push in some sections of the list.

The open money market in New York showed another sign of ease when 4-6 month bankers' acceptances declined ⅛%, indicating a widespread belief that present rates will continue in effect for an extended period. Banking reports which appeared mildly optimistic at first sight had to be set down as doubtful upon closer examination.

Election Influences

The elections were bearish to Wall Street, despite the chastisement they administered to the President, for whom the Street has shown little affection. A Democratic landslide is traditionally bearish, per se, though ascendancy of the present Democratic party can hardly be classed as such any more than could the rise of the Republican party, seeing how little difference the market can distinguish between them.

A more legitimately bearish effect resulted from the success of Pinchot in Pennsylvania and from that of Roosevelt in New York. Both advocate stricter regulation of public utilities and their programs contain some drastic points. Wall Street, looking at the plight of the regulated railroads, shivers a little at the thought of the possibilities.

Bear forces continue large, possibly augmented by the elections. Those who, for party principles, would not sell short before election now have no qualms. Those who were doing it and making money before see no reason to forsake what has proved a profitable operation.

The size and extent of the bear force is unknown. Reports continue to come in of the numerous amateur short sellers. These individuals are to be found in small towns and cities throughout the country, largely uninformed of the machinery or economics of short sales, but selling short just the same.

Also to be noted is the existence of a large group equally uninformed as to the market, who want to buy common stocks. These account for the rise of fixed type investment trusts. Market counseling organizations tell of numerous letters asking what stock to buy, adding, "We want to get back our losses of the past year."

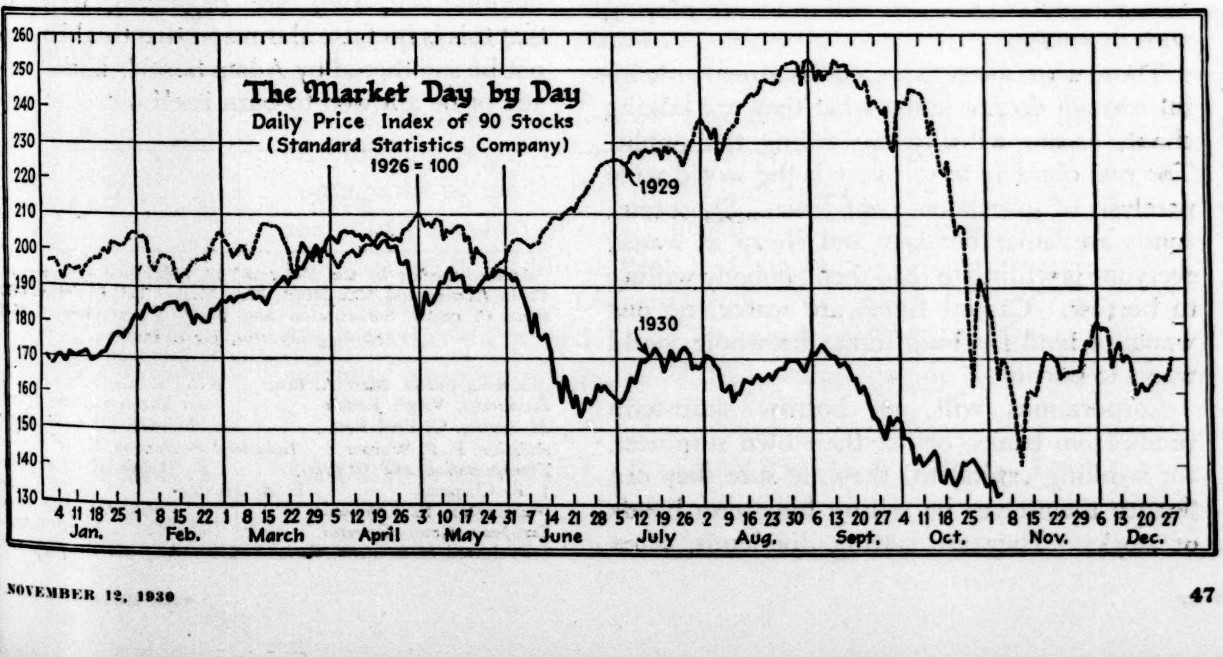
Bonds likewise are unsteady and last week's rise was not sustained. Foreign issues generally are weak, though there are exceptions. Softness prevails in most of the domestic list. Inability of bonds to rise can be explained on the grounds of fear for security. Low money rates and the near-certainty that these will prevail for many months, if not years, operate strongly for a rise. The other reason is the insufficient volume of credit, despite low rates. The bond market also must look forward to the necessity of absorbing the large amount of municipal issues approved in the election. This total is estimated from $300 millions to $400 millions.

Volume of bank credit rose this week, due to continued increases in the investment account and a large rise in commercial loans. The latter proved to be almost entirely in New York City, however, and the uncertainties of the money market make it doubtful if these loans really are commercial. Failure of totals to rise in the other districts is not encouraging. Security loan totals continue to fall about as much as brokers' loans, or less, indicating an increase in loans by banks directly to customers.

Banks Loan on Securities

Some encouragement is offered speculators and investors by the outright solicitation by some New York City banks for loans on securities. High yields now prevailing, and belief in the "long term pull" are cited. The banks are anxious to make loans—to reliable individuals on readily marketable securities on what certainly can be called "adequate margin." Most brokerage houses also are carrying "buy" recommendations in their advices, but warning prospective purchasers, that they should be prepared to ignore short-term swings.

Federal Reserve credit increased in the week with growth both in acceptance holdings and borrowings by member banks. Encouraging though this is, the financial community will demand more conclusive proof of central bank determination. A small amount of gold was exported and the total earmarked increased $2 millions.



THE BUSINESS WEEK
The Journal of Business News and Interpretation
November 12, 1930

—And Here's Why

MONETARY and credit conditions arising out of our stock market boom of 1928-29 were the underlying cause of this depression. We believe they are today the fundamental factor prolonging business stagnation.

The open-market powers of the Federal Reserve system, described on this page last week, were established to control such conditions and to meet such emergencies as this. The Reserve authorities hold the key to world recovery in their hands. We believe, and have said for months, that they should use it promptly and to the fullest extent.

The Reserve system has at least $800 millions of free gold not now encumbered by reserve liabilities. Anyone who has any insight into the world economic situation now knows that any risk is worth taking to put that gold to work, abroad and at home, through enforced credit expansion. The world today cannot readjust its business structure to the present level of prices without suffering so severe and prolonged as to be politically and socially unendurable. Those who smugly insist it can and must are playing with dynamite.

Those who object that credit is already plentiful enough do not know what they are talking about, or are wilfully misleading the public. The real obstacle to recovery is the world-wide paralysis of investment confidence. Short-term funds are superabundant and cheap as water; everyone is willing to lend them, nobody willing to borrow. Capital funds are scarce; no one wants to lend for long term, the whole world wants to borrow.

Corporations will not borrow short-term funds from banks, or use their own surpluses, for working capital till they are sure they can finance themselves by selling long-term bonds or stocks. They are cutting dividends, often under bank pressure, and will probably cut wages, to conserve their surpluses till they can raise capital—thus further restricting public buying and investing power. There can be no real business recovery till the stock market improves, and that cannot occur till a broad and vigorous market for domestic and foreign bonds of every description is created.

Large-scale purchases of government securities by the Reserve banks is the most direct, honest, and effective way to do this. We should not fool ourselves by the roundabout, dilatory, and wasteful kind of inflation—that's all it is—involved in speeding up public construction on the proceeds of local bond issues, or keeping current income taxes low by letting the floating public debt increase. But even this procedure cannot promptly meet the emergency unlesss the Federal Reserve helps make a good bond market now by buying securities freely. And, of course, these things will not help Europe much or soon.

If this had been done in July we might have avoided much of the damage, domestic and foreign, that has been done since. But we are sure that the Reserve authorities will be forced to do it before the year is out. The pressure from business, labor, agriculture, and Congress will be irresistible, in spite of the banks, who naturally object to seeing interest rates and bond yields any lower. The third alarm has already sounded from Europe, and brought Governor Harrison and Owen Young of the New York Reserve Bank on the run. Though, as usual, the Federal Reserve firemen will arrive a few months late, they are beginning to realize that this is no false alarm and that this blaze cannot be smothered by Adam Smith's bucket brigade or be allowed to burn itself out.

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